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NEWS SUMMARY

GENERAL

Iceland skippers attack trawlers

Icelandic gunboats cut trawl wires, warps and other fishing gear and collided with Royal Navy frigates in a sudden burst of cod war activity against British vessels at the week-end.

The flare-up is not thought to have been ordered by the Icelandic Government, writes Jon H. Magnusson. An Icelandic Minister told the FT yesterday that his Government would like to get out of the cod war on reasonable terms, but that "the British are much too stubborn."

British frigates and civilian super-tugs yesterday patrolled a tight circle around the 40-strong trawler fleet.

10,000 join Dublin march

Almost 10,000 Provisional IRA sympathisers defied the Irish Government by marching through Dublin to mark the anniversary of the 1916 Easter Rising against British rule. Top Provisionals David O'Connell and Rory O'Brady ignored prosecution warnings and addressed the crowd at Dublin Post Office. In Ulster, a man died and 40 were injured in a wave of attacks aimed mostly at Catholics. Back Page

Encouragement from Schmidt

Britain's fight against inflation was praised by West German Chancellor Helmut Schmidt who told an interviewer that "If the English succeed under Callaghan in sustaining the economic policy introduced by Wilson and in this way break the inflation mentality in England this will be a great contribution to the EEC."

Russian bid to save girl's sight

Fiona Cummings, 8, flew to Russia for the third time where her mother hopes that Soviet eye specialists can prevent her from going blind. Under an Anglo-Soviet agreement signed last year Fiona's treatment (but not her fares) will be free of charge.

Zealots under fire

Israeli Justice Minister Mr. Haim Zadock lashed out at the Gush Emunim movement which wants Jewish annexation of all the West Bank by terming them a greater threat to Israeli democracy than the Communists.

U.S. aid puzzle

The U.S. sees no possibility of giving arms at present to Rhodesian guerillas, but would review the position if the experience of Angola were repeated, according to a U.S. report from Tanzania issued during Dr. Henry Kissinger's visit. Back Page.

Wilsons to move

Sir Harold and Lady Wilson are expected to move into a first-floor flat in a mansion block in Ashley Gardens, behind London's Victoria Station. They have lived in Lord North Street, Westminster, since 1970.

Briefly . . .

Princess Anne is expected to be released to-day from hospital where she has been under observation since last Wednesday's riding accident.

Armed motorist killed three people, wounded nine and kidnapped three tourists before committing suicide after crashing into a road block in Jackson, Georgia.

Troublemakers at next Saturday's Cup Final will be dealt with by 150 tough ex-army NCOs as well as the police.

Economist Mr. Denys Munby, 56, of Nuffield College, Oxford, died from head injuries in Istanbul where a man has been arrested.

Owner of premium bond TB 556318, who lives in Essex, has won £50,000.

BUSINESS

Grocery prices rise by 2.7%

● GROCERY PRICES have continued their strong upward trend this month. The FT Grocery Prices Index rose by 2.7 per cent. to 222.43, bringing the rise in the past year to 24.7 per cent. High potato prices were a major factor, plus higher meat and egg prices and a 1p rise in bread. Page 11

● BRITISH ALUMINUM COMPANY is raising the prices of primary aluminium ingot and related products by an average of 11.86 per cent. from to-day. The move will affect a wide range of industries, including building and vehicle manufacturing. Back Page

● PRICE CODE is preventing investment of millions of pounds in industry and killing chances for job creation, says Mr. D. R. Glynn, CBI economic director. Executives are spending time and money administering the code instead of increasing efficiency or winning orders, he says. Page 4

EEC talks on unemployed

● EEC FINANCE MINISTERS meet in Luxembourg to-day to try to agree on at least the outlines of a united approach to Common Market unemployment, now about 4m. Page 5

● EBBW VALE steel plant production began returning to normal yesterday after a five-day strike by 900 craftsmen. Page 8

● HIGHER FINES for employers paying below the minimum rates set by wages councils are recommended in a report published by the Low Pay Unit. Page 8

● PRINT UNION leaders have opened talks aimed at resolving some of their long-standing differences. Page 8

● POST OFFICE should consider setting up a security service competing with private companies, suggests the Union of Post Office Workers. Page 8

Credit offered to industry

● BANKS have made firm commitments to lend as much as £2.75bn. in medium-term credit to U.K. productive industry, compared with only £1.5bn. a year ago, according to Mr. Denzil Davies, Minister of State at the Treasury. Back Page

● NATIONAL SAVINGS net receipts tripled to £712.9m. in 1975-76, raising the amount invested to £11.56bn. Page 4

● ELECTRONICS companies should curtail the credit periods allowed to customers in order to raise profits, suggests a report on the industry. Page 4

● FRENCH ECONOMY will see a 5 per cent. growth in gross national product this year, according to a new and more optimistic official forecast. Page 5

COMPANIES

● BRITISH AIRCRAFT CORPORATION had record sales, exports and profits last year and orders in hand have reached a new peak. BAC group trading profit was £26.91m. (£24.45m.) on sales of £307.13m. (£271.31m.). Back Page

● MARSHALL CAVENDISH group made higher pre-tax profit last year of £2.28m. (£1.17m.) on lower sales of £12.88m. (£17.53m.). Page 36 and Lex

● WEIR GROUP chairman, Viscount Weir, stresses the need for a considerable increase in profits in the annual report. Page 40 and Lex

● SUN ALLIANCE and London Insurance results last year showed a welcome improvement in spite of difficult conditions, says Lord Aldington, chairman, in his annual statement. Page 36

FEATURES

ON OTHER PAGES

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The falling pound: Prime Minister and Chancellor urge 3% deal

Callaghan confident that new pay policy will be agreed

BY ROY ROGERS and IAN HARGREAVES

The Prime Minister said yesterday he was now certain that a new voluntary wage restraint policy would emerge from continuing negotiations between the Government and TUC leaders but he warned that there could be no improvement in living standards in the coming year.

In a firm and at times aggressive speech to the Union of Shop, Distributive and Allied Workers' conference in Blackpool, Mr. James Callaghan stressed the need for settlement along the lines of the Chancellor's Budget proposals of 3 per cent. linked to £1bn. of tax concessions—and won a standing ovation from the 700 delegates.

There was little reaction from TUC leaders last night to the Prime Minister's speech, partly because they have already been assured by Mr. Denis Healey, the Chancellor of the Exchequer, that the 3 per cent. offer is not inflexible, and partly because they do not want to jeopardise the delicate wage policy negotiations which resume in earnest to-morrow evening.

A more considered reaction from the conference, the first major union conference of the year, should come to-day when the traditionally moderate USDAW delegates debate pay policy.

Also to-day it will become clear whether the Prime Minister's confidence, coming on top of similar optimistic week-end statements by Mr. Len Murray, TUC general secretary, and Mr. Jack Jones of the Transport Workers, will help ease the sterling crisis which developed last week apparently because of uncertainty over the wage restraint negotiations.

Last night Mr. Jones blames the sterling crisis on "financial manipulation in business circles." The buoyant atmosphere helped by dramatic improvements in exports and a halving of disputes did not warrant a dive in the value of the pound, nor did individual speeches at union conferences, he added.

In his first address to a union conference since becoming Premier, Mr. Callaghan stressed his sympathy, as a life-long trade unionist, with those who had seen differentials eroded and free collective bargaining shackled. But he underlined that the price of rebellion by the unions would be fewer jobs and a further weakening of sterling.

Throughout the speech, however, his tone was optimistic. "The seas will be stormy and I am not going to guarantee that you won't be seasick, but with our combined efforts we will get safely to port," was the Prime Minister's assessment of the situation.

He was not asking for soft treatment for a Labour Government, but appealing to trade unionists to act strictly in their own interests.

Reviewing the reduced inflation rate achieved during the £6 limit he told delegates that Britain had "clambered back a long towards sanity." But the current inflation rate of 15 per cent. was still not good enough. "If we do nothing further we shall face more unfairness, higher prices and more jobs would be lost."

Inflation in Germany was falling, possibly to 4 per cent. and in the U.S. to 6 per cent. "If we were to continue to tolerate a rate of inflation much higher than these and other competitors, then there is no power on earth that could stop the value of our money from depreciating by comparison with that of other countries."

Quoting from Mr. Healey's

Continued on Back Page
Editorial comment Page 14

Review of social contract to-day

By Our Labour Correspondent

LABOUR PARTY and TUC leaders, who meet this morning to review their three-year-old social contract, will consider calls for continued price and rent controls and food subsidies, and the introduction of selective import ceilings, and other measures to reduce unemployment.

The TUC-Labour Party liaison committee will have before it a joint document, "The Next Three Years—Problems of Priorities," which sets out these and many other suggestions that could have a significant effect on wage policy talks due to resume between Mr. Denis Healey, Chancellor of the Exchequer, and TUC leaders to-morrow evening.

A continuing need for price controls is stressed in the document which goes on to reject "generalised arguments that price controls are inhibiting investment."

Coming out against any widespread relaxation of controls the document suggests they should be more sophisticated and selective, with companies getting relief only on a case-by-case basis for agreed investment programmes.

Continued food subsidies are described as a "major priority" for the coming three years, and a call is made for new labour subsidies for companies establishing jobs in areas of high unemployment and a massive expansion of training and retraining programmes.

The TUC economic committee, which meets in special session this afternoon, wants to extract some Government commitment on prices, rents, import controls and unemployment in return for accepting a further period of voluntary wage restraint. For that reason, to-day's liaison committee meeting will have a significant effect on pay policy negotiations which resume to-morrow. But even if great progress is made it seems unlikely that any pay policy agreement can be achieved this week.

On Wednesday the full TUC general council will review the progress and it is expected that further talks with the Chancellor will take place later this week or early next and that it will need another general council meeting before any firm agreed proposals emerge. Even then, they will have to be put to the special TUC Congress in London on June 16.

Exporters unwilling to cut prices

BY QUENTIN GUIRDHAM

SINCE MARCH, 1975, the pound has been effectively devalued by more than a quarter against the U.S. dollar and by over 20 per cent. against the weighted average of leading trading currencies.

Following the fall in the pound's value last week, Financial Times correspondents in London and overseas asked companies what effect the fall in the pound was having on the pricing and volume of their business.

The principal conclusions are that:

1—Most exporters either cannot, or do not want to, reduce foreign currency prices to reflect the decline in sterling.

2—Companies do, however, feel that they can hold foreign prices for some time to come and this should make them progressively more competitive.

3—Almost all industries fear that increased raw material import prices could cancel out what competitive advantage has been gained.

Continental and U.S. subsidiaries of major exporters, including ICI, GEC, British Leyland, Courtaulds and Hawker Siddeley, say they are not cutting prices to reflect sterling's fall.

Exchange rate gains are seen as being partially, or in some cases, completely eroded by both the increase in imported raw material prices and Britain's higher rate of inflation—particularly against Germany and the U.S.

Mr. Kenneth Brown, president of English Electric, a U.S. subsidiary of GEC, said sterling's decline had not left his company any room to cut dollar prices. It did not compensate for the differential in price escalation between the two countries.

Price controls

The company was not "making a bomb or a bonanza" out of the pound's fall. The depreciation was instead acting as "a slight palliative in helping the company keep dollar prices from rising."

Most companies questioned were definite that the volume of exports could be improved with the pound at its present level.

Mr. Barrie Heath, chairman of GKN, said that margins abroad could be widened more than in price-controlled Britain.

Sir Monty Finniston, chairman of the British Steel Corporation, disclosed yesterday that the corporation is to launch a new sales campaign in selected overseas markets such as Iran.

He also hinted that the higher price of imported iron ore must lead to dearer steel on the home market. The cheaper pound would make the British market less attractive to foreign steelmakers, though.

Mr. John Whitehorn, deputy director-general of the CBI, said that member industries were very worried by the pound's depreciation. Despite the possibility of more competitive export prices, it made the job of reducing inflation that much harder and increased the cost of raw materials, food, and other imports.

Industry suffered from the higher interest rates which were now the price of maintaining the value of the pound. The CBI believed strongly, he said, that a fall in sterling greater than could be strictly warranted by the state of the economy would be more dangerous than helpful.

Details Page 11

Treasury aim is 6% rise in earnings

BY ANTHONY HARRIS

THE Treasury's aims in its pay negotiations with the TUC is to get an agreement which will limit the rise in earnings to about 6 per cent.—the figure implied in the arithmetic of the Budget. This increase, about in line with increases in the main competing countries, would bring the growth of British costs into line with international standards, and stabilise the value of the pound.

This would require a much lower wages norm—the suggested 3 per cent. is the Treasury's best estimate.

In a party political broadcast on Saturday, Mr. Denis Healey, the Chancellor of the Exchequer, made it clear that he sees some scope for bargaining over the next pay policy if the drift of earnings above the wages norm can be limited. "There is a bit of tolerance, because a great deal depends on how the policy is structured," he said.

Mr. Healey stressed the importance of an agreement "in the area of 3 per cent." and said that the suggestion from some union leaders of a 5 per cent. norm—which would mean "a much bigger increase in earnings"—coupled with his £1bn. tax concessions would mean "too much money sloshing around in the economy." It would also prevent Britain getting its rate of inflation down to that of its main competitors by the end of the year.

"As long as we have this rate of inflation, and the value of the pound is sinking, then I think we cannot get full employment," he said.

Mr. Healey made it clear that the suggested pay policy would involve a further cut in living standards—"but not as big a fall as in fact there has been over the last 12 months." The really big drop in real standards had occurred when wages were rising at an annual rate of 29 per cent. which showed "how silly it is to want to be paid in confetti."

Sacrifice

Both the Chancellor, and the Prime Minister yesterday stressed that they were not asking for sacrifice in a low pay norm. On the contrary, the lower the norm, the less the drop in real standards and the quicker the revival of growth.

The Treasury's pay arithmetic allows for the fact that there is a good deal of "drift" between wage rates and earnings. Much of it is due to the fact that the rate of increase is coming down, so for the early part of the next year of anti-inflation policy many workers will still be getting the higher £6 increase.

That is why in February, after seven months of the £6 policy, earnings were still 19 per cent. up year on year, instead of the 13 per cent. implied by the policy. The lower figure is expected to appear later this summer, and a further rapid reduction will be necessary in the new policy year.

The kind of adjustments which might make a higher norm compatible with Government policy are the imposition of a fairly low ceiling on maximum individual increases, so that highly paid workers would get less than the agreed percentage, and an agreement that the £6 increase, which was given as a cash sum on top of existing earnings, should remain a separate item, and not brought into calculations of overtime pay and other bonus rates.

A higher rate with such limitations would allow more scope in some cases to deal with differentials and anomalies, but the scope for manoeuvre is very limited.

A 6 per cent. rise in earnings would give rather less than 5 per cent. in terms of pay after deductions because of "fiscal drag." The conditional tax concessions which the Chancellor has offered would restore the rise in take-home pay to about 5½ per cent.—and rather more in the case of families with children. But with inflation averaging about 7 per cent. through the year (though down below 5 per cent. on favourable assumptions, at the end of it) real incomes would again fall slightly. At present earnings are lagging prices by about 7½ per cent.

● Mr. Eric Heffer, Left-wing Labour MP for Walton, yesterday called on the Treasury to carry out a full inquiry into the benefits or otherwise of sterling remaining a reserve currency.

Job prospects improving says Joseph policy unit

JOB PROSPECTS are now brighter than at any time since last September, according to figures published yesterday by the Centre for Policy Studies.

The centre, which is directed by Sir Keith Joseph, estimates that there are more than 300,000 jobs available, against the Department of Employment figure of 119,000 notified vacancies.

It claims its figure is a much more reliable guide to current labour demand, because, unlike the Department's figure, it makes allowance for vacancies not notified to local employment offices.

While vacancies have increased unemployment has gone down. The centre's figures for unemployment show a drop of more than 30,000 to 784,000 (3 per cent.), compared with the official figure of more than 1¼m. (5.5 per cent.).

U.S. expects good grain crop

BY PETER BULLEN

A NEW report from the U.S. Department of Agriculture yesterday suggested that the United States is still expecting bumper grain crops in spite of the drought in major cereal-growing areas.

Providing there are no widespread disease or weather problems before harvest there could be the biggest build-up in U.S. grain reserves for several years, according to USDA's Outlook and Situation Board.

The projections are admitted by USDA to be "highly tentative." But, if realised, the bumper crops would do much to stabilise U.S. food prices for the next 18 months as well as helping the economy by continued large grain exports.

The Board forecasts that the 1976 maize crop could yield a record 6.4bn. bushels, plus or minus 350m. (compared with 5.8bn. in 1975), and the wheat crop 2bn., plus or minus 75m., compared with last year's record 2.1bn. After domestic consumption has been met, and after wheat exports, forecast at 1.2bn. bushels for the year ending June 30, U.S. wheat reserves should rise to 754m. bushels (plus or minus 125m.)—the highest since the 863.1m. at July 1, 1972.

With maize exports likely to fall slightly to 1.2bn. bushels, U.S. maize stocks could rise to 994m. (plus or minus 300m.) by autumn, the biggest since the 1.1bn. in October 1972.

Earlier this month, another USDA report estimated that winter wheat output, which accounts for about three-quarters of the total U.S. wheat production, could be cut by as much as 26 per cent. because of the drought in the five key growing states of Kansas, Texas, Colorado, Oklahoma and New Mexico.

With reports of frost damage to USSR crops and fears growing of drought damage to U.K. cereal crops, demand for U.S. supplies may be higher than expected. The U.S. maize and spring wheat crops have still to be planted, and as the latest USDA report stated yesterday: "There are no reliable techniques for anticipating what combination of weather or disease may occur before harvest."

Vauxhall raises car prices 4.1%

FINANCIAL TIMES REPORTER

VAUXHALL CARS are to cost an average of 4.1 per cent. more from to-day. The increases form part of the latest round of price rises announced by U.K. manufacturers.

At the week-end British Leyland said its prices were going up by an average of 4.6 per cent. Ford has already announced rises averaging 4.7 per cent.

Vauxhall last put its prices up in December 1975, by an average of 4.3 per cent. The increases do not include the luxury VX models announced earlier this year.

The company says that the higher prices for Chevette models are accompanied by improved interiors. The range has also been renamed and now comprises the Chevette L, Chevette GL and Chevette GLS, which correspond to the previous Chevette, Chevette L, and Chevette GL models respectively.

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LOMBARD

'Market forces' got it wrong

BY C. GORDON TETHER

THOSE who believe in the supreme capacity of market forces to promote the economic advancement of mankind in the most efficient fashion and with a minimal amount of disruption should take a close look at the emergent world tanker crisis. For it is now abundantly clear that in this field the private enterprise way of life has perpetrated blunders of a monumental order and with no obvious alibi for its own [illegible].

The story is told in all its eloquent simplicity in the report recently published by H. P. Drewry — the shipping consultants—on the tanker crisis and the prospects for that industry up to 1985. The study points out that the consensus now emerging strongly in the industry is that there are likely to be too many tankers chasing too little oil at least until 1982 and possibly well beyond.

It goes on to stress that this means several more years of severe financial pressures for many tanker owners whose ships are either laid up or trading in the crop markets at uneconomic rates. And not only, of course, for tanker owners. A wide range of banking houses functioning in the international field are deeply concerned about the security of the loans they have made to finance the construction of the vessels that have become such a drug on the market. Their worries could obviously have the same longevity as those of their customers.

Placing blame

It is customary to try to lay the blame for the failures of private enterprise at the official door—to attribute them, for example, to changes of direction in national economic policies that fundamentally altered the business outlook and which, since they could not be foreseen, it was impossible to allow for. But this alibi is not available in relation to the tanker débâcle. For this is to a large extent the responsibility of international firms operating in an international context.

It is true that the acuteness of the crisis that has overtaken the industry can be set down, up to a point, to the backwash of the oil prices explosion on the demand for its services. But only up to a point. For the Drewry report points out that even without that upheaval, there would almost certainly have been a 10 per cent tanker surplus by the end of last year.

Moreover it it surely reasonable to argue that, if the private enterprise system was as perspicacious as it is claimed it is, it would have developed an awareness of the possibility of such a development well in advance. After all, the oil-producing countries had been displaying considerable restiveness for some time and the Organisation for Petroleum Exporting Countries had been formed as far back as the early 1960s with an eye to planning concerted action to strengthen the member countries' hand.

In short, as the Drewry report suggests, the tanker owners are largely responsible for their own troubles. And the same clearly applies to the banking houses [illegible] serious embarrassments by encouraging new construction without first satisfying themselves that the outlook was sufficiently promising to justify exposing their money in this way.

Considering the quality of the expertise that would have been available to both types of entrepreneur, the significance of what has happened here for the "market forces versus State planning" debate hardly needs to be underlined. And it is pertinent to point out that the consequences of this mistake for the community at large can be just as serious as those stemming from blunders perpetrated by the official machine.

Over-ordering

Because the world is currently so over-supplied with tankers, shipyards all over the world are destined to be without sufficient orders to keep them operational for a long time to come. And concern about the consequences for the workers involved is already finding expression in protectionist warfare of a kind that was the subject of some trenchant comments from a leading Danish shipyard chief last week.

It may well be that, at this stage, governments are guilty of prolonging and intensifying the tanker crisis by refusing to recognise — as the Drewry report puts it — "the folly of all countries trying to maintain, and even increase, their shipbuilding and shipping industries." But there can be no doubt that the tanker crisis arose in the first place primarily from over-ordering by private concerns on their own initiative and in response to "market forces."

Remembering some of the other blunders perpetrated by private enterprise in recent years and the havoc they wrought — the secondary banking explosion and collapse to take just one — there is clearly little justification for the fashionable proposition that private enterprise, allowed to respond dutifully to "market forces," can best plan for the future. This is not to suggest that State planning is more reliable, since its record is not all that good either. It is to argue that both systems have serious — if different —weaknesses and that we should devote our efforts to tackling them rather than to doing battle over their rival merits.

THE WEEK IN THE COURTS

Commercial litigation goes international

BY JUSTINIAN

IF FORMERLY English courts were invariably open to all and sundry for the resolution of their disputes, they are now less available where convenience dictates that the litigation should be conducted elsewhere. The trend away from the insular doctrine of the past began three years ago. Its quietus has arrived with a House of Lords decision, delivered just before the courts' Easter recess, in a case called *Camilla Cotton Oil Company v. Granadex S.A. and others*.

The high-water mark of the insular doctrine that Her Majesty's courts must be accessible to anyone who wants to use them was expressed in 1972 by Lord Denning. He proclaimed that no one who came to our courts should come in vain. The right of access to our courts was certainly not confined to the Queen's subjects; it extended to any foreigner, even if he was suing another foreigner. If he wanted his justice here, he was entitled to get it, so long as the continuance of the action in our courts would not be oppressive or vexatious to the defendant. This open-door policy was objected to on the ground that it led to "forum-shopping," that is to say, it allowed the plaintiff to choose the court in which he thought his case could be most favourably presented. Although this attitude should be a matter neither for surprise nor indignation "forum-shopping" has become a dirty word. Lord Denning's grandiloquent retort to this pejorative word was that, if the choice of forum was England, "it is a good place to shop in, both for the quality of the goods and the speed of service."

Rival doctrine

That proud claim represented the "good old days" when inhabitants of these islands—at least those responsible for the administration of justice—felt an innate superiority over those less fortunate in belonging to other races and nations. Until three years ago the English judges had eschewed a rival doctrine called *forum non conveniens* which, incidentally, had long been part of the law of Scotland as well as of the United States. According to this doctrine, whatever the law may say about the court's jurisdiction to entertain a legal suit, the parties would be compelled to litigate in the forum that was the most appropriate and convenient in all the circumstances. Compulsion is enforced by the courts exercising their inherent or statutory power to stay proceedings in favour of litigation abroad. This doctrine conflicts with the simple view that, if a court has jurisdiction that has been invoked by a litigant, it will not deny him the justice he seeks, and in the place where he seeks it. So long as there is no actual abuse of the forensic process he should not be denied a hearing.

In the past, rightly or wrongly, English judges thought that our administration of justice, expensive and elaborate as it might be in absolute or even relative terms, was superior to that of most other countries. But to-day there is an acknowledgement that no injustice is perpetrated by telling a plaintiff that he should either go back to his own courts or to the courts of his proposed opponent. There is now a distinction made by the courts between the case where England is the natural forum for the litigation and the case where the plaintiff merely comes here to serve his own interests. In the latter case the plaintiff should offer some reasonable explanation for England being his choice of forum if his opponent is objecting to being dragged before the English courts. If, of course, both of them are content that their dispute should be litigated here, all well and good. They can have the assumed benefit of the English way of justice.

The rule, as enunciated in the *Camilla Cotton case* is that, on an objection by the defendant to proceedings continuing in England, the court must weigh all the circumstances and decide the proper destination of the law suit according to a judicial discretion. The court must consider the nature of the relief, the propriety of seeking that relief in an English court (bearing in mind that, in principle, the English courts are still open to all) and the utility of the proceedings to the plaintiff weighed against any disadvantage to the defendant.

In the *Camilla Cotton case* the English proceedings arose out of a series of contracts for the sale in 1972 and 1973 of large quantities of shelled peanuts. The English sellers made sales without covering purchases; the price of peanuts rose sharply, and inevitably defaults occurred in delivery. Very large sums in damages were therefore claimed by the buyers, two Swiss companies, resulting in litigation in Switzerland, Holland, the United States and the United Kingdom.

English action

To cut a complicated narrative short, the contracts had been made ostensibly not by the English sellers but by a company incorporated in Ontario, Canada. The Canadian company and the English company were not to put too fine a point on it, closely associated. The Swiss buyers had throughout endeavoured to fasten liability for the sums owing by the Canadians upon the latter's English associates, on the ground of agency.

The contracts were governed by English law and contained London arbitration clauses. The Swiss referred the defaults to arbitrators who assessed the losses at nearly $3m. No part of the money has been paid. Proceedings were begun primarily in Switzerland, and then the English company started an action in England asking for a declaration that the contracts for the sale of the peanuts, the price for which had meanwhile remorselessly continued to rise, were not such as to make the English company liable. In effect the English court was being asked to negative any possible liability on the footing that the Canadians contracted as agents for the English.

The House of Lords embarked on the exercise of deciding the proper forum for this dispute by inquiring whether to grant such a negative declaration would be useful. The Court of Appeal, no doubt influenced by the fact that the contracts were expressed to be governed by English law, thought that determination of this question by an English court would serve a very useful purpose in the Swiss proceedings. For a variety of reasons, on close inspection of the foreign proceedings and the relevance of the English action to them, the House of Lords was clearly of opinion that it would be unhelpful, and indeed undesirable that the English action should remain in being. Lord Wilberforce went on to say that to allow the action in England to proceed would be an exercise in futility.

Ancient principle

Thus the buyers' claim to hold the English company liable as sellers of the peanuts would be litigated in Switzerland. Had the old law prevailed, no doubt the English courts would have not been able to deny the English company its day in the courts of its choosing, which incidentally would be its national courts. But that, in the circumstances of the development of the multiple litigation in various countries, would not have been a rational solution, even if it would be faithfully adhering to an ancient principle that English courts are freely available to allcomers. The abandonment of that hitherto overriding principle simply confirms that commercial litigation involving a foreign litigant, is now truly international, even in the eyes of an English judge.

SOCCER — BY TREVOR BAILEY

Derby defence in doubt

THE WORDS in the song "We nearly made it didn't we?" could be said to apply this season to Derby County and Ipswich, who met in a remarkable final game that ended in a humiliating 6-2 home defeat for Ipswich.

Last August both teams represented a sound bet to win some tangible honour. For different reasons they have failed to do so, although they have still done enough to qualify for Europe.

In terms of skill and individual ability, Derby County probably possess the most talented squad in the land. A few weeks ago they had a real chance to capture the FA Cup and retain the League championship, but the "double" proved too much for them. After being defeated without honour by Manchester United, they blew up.

The Midlanders have exceptional class and flair. If their game fails to click, however, their discipline, especially in defence, must be in question. It is, for example, inconceivable that Liverpool would have lost 5—1 against Real Madrid, having won the first leg 4—1!

Some of their players, though still good, are past their best. James has not completely slotted into their overall pattern and, without the injured George, they are perhaps short of inspiration in attack against a well organised defence.

Ipswich, under the astute direction of Bobby Robson, have developed an effective and attractive system based on a fluid 4—4—2. They suffered from an indifferent start and have felt the effect of injuries to key players — especially Viljoen and Beattie — more than some clubs, because their cover is rather ordinary.

This showed against a makeshift Derby who, without Thomas and James — both on duty for Wales and George — were so much cleverer, man for man. One also gains the impression that the style they have built up over the past three seasons has become too predictable.

Greater flexibility and originality are required if they are to become a great, as distinct from competent, side.

What must have worried their manager particularly on Saturday was a lack of heart in the second half. Admittedly it was the end of the season and the result made no difference, but there was no excuse for the absence of fight.

Derby began with McFarland as the only member of their regular back four, but Powell was excellent as second centre back, indeed more impressive than a[illegible] half.

Todd moved into midfield where his pace, ability to win the ball, use it quickly and come out with it after being tackled proved a great asset. England could do far worse than to employ him in this role.

Rioch started in the front line and scored twice, once from the spot, before he took over from an injured McFarland.

This was the last professional appearance of Francis Lee, who celebrated it appropriately with two goals in the closing stages. He also had a hand in most of the others, including a copybook first, when a delicious five-man movement split the opposing defence.

Promotion posers at Hereford

BY MICHAEL THOMPSON-NOEL

FAR FROM the madding crowd, in a dozey Borderlands cattle town, Hereford United applied the finishing touches over the week-end to one of soccer's brightest stories.

The Division 3 championship already theirs, Hereford beat Rotherham 3—2 for their 25th league win, 61st point and 83rd goal of a season that has worked like a charm from start to finish.

Four years ago Hereford were trampling in the mud and obscurity of the Southern League and the honours list in the club programme still dwells on the rural trophies of their immediate past: the Sunday Mirror Giant-Killers Cup (1971-72), the Herefordship Senior Cup (1972-73) and the Border Counties League Cup (1973-74).

But the past is past. Next season they face up to the more abrasive physical requirements of the Football League's Division Two, so will they be good enough?

Manager John Sillett believes that they will. Most of the credit for Hereford's success during the past 19 months belongs indisputably to Sillett, the ex-Bristol City coach, whose top three priorities are discipline, discipline and discipline.

"Without discipline you're nowhere. To get it, I'll find players, I'll drop them, I'll get rid of them, but I'll get it.

"When the boys came off against Rotherham, I blew up. Theye were 3-0 up at half-time and then messed about.

"I told them: 'The spectators came to see six goals, to be entertained. They didn't come to watch you lot nearly throw away a point and laugh in the face of fellow professionals.'"

The other half of the John Sillett show is player-coach Terry Paine, 37 on March 23 and nearing his 800th league game.

Paine is slower, more fragile, than he was, but still so potent as a goalmaker that supporters call him the chief puppeteer. With a twitch of the strings he pulls rival defences to ribbons and insinuates his own colleagues into position.

On Saturday, creating acres of freedom on the left, Paine manufactured two of Hereford's goals with perfect floating passes.

Sillett, though, resents the suggestion that Hereford is a one-man band. Dixie McNeil, bought from Lincoln for £20,000, and Steve Davey have scored 54 goals between them this season while players like Jim Lindsay, John Galley, Peter Spiring and Dudley Tyler provide a sound base on which to build, says Sillett.

He wants to buy a recognised striker and a "decent cover" for the back, but that is all.

What Hereford need most next year, is bigger gates. They have averaged roughly 8,000 this year—drawn from surrounding farms and villages as much as from the town—but need to get up to 10,000-plus.

Last year, after a net loss of £45,000 on transfers, Hereford finished uncharacteristically £42,000 in the red. But season tickets next year will cost £[illegible] instead of £20 and a fanatical supporters club hands over a £500 cheque each week.

"Some said we should have stayed out of the Football League," said one old-timer in the stand. "Then we got into the 3rd Division and some said that *that* would be the end.

"They said we'd go bust. Now we're in the second and they say it will be suicide. I don't know though. We're still on the move —we're still gadding up. It's better than watching the hops grow."

RUGBY — BY PETER ROBBINS

Gosforth win a tough final

WHEN ROSSLYN PARK'S flanker, Mordell was sent off after only 10 minutes (and rightly so) it seemed that the game was over for them.

This was far from the truth, however. The seven Park forwards gave Gosforth such a run round that the Northerners only equalised 10 minutes from time, making the score 14—14.

With aching limbs and unable to do any more, Park then conceded a penalty which Young kicked. He also converted the final try by Robinson, giving Gosforth the John Play Cup with a score of 23—14.

The result does scant justice to Park's brave efforts, to the marvellous way they lived with their handicap until those last few minutes.

Gosforth came with a massive forward reputation, but their pack was eclipsed individually and as a unit by forwards who did not flinch from confrontation. Securely anchored by Lloyd-Roberts and Hinton at the set scrums, Park pushed, wheeled and generally disrupted Gosforth.

Ripley and Starling predominated at the line-out, Rodgers and Mantell in the mauls. Keith Roach also did well surveying from the fringes!

Park surprised everybody, except perhaps Dixon and Robinson, by their clever alternating of forward and three-quarter attacks and their minimising of legal infringement to deny Young's lethal boot.

Ripley's unquenchable spirit ignited the others and the forwards interchanged passes swiftly, supported stricken colleagues and cut down green and white jerseys instantly.

Weston directed shrewdly and Ralston did well, except for one crucial slip. He made certain that Kent and Fluskey, and more importantly Bulpitt, saw plenty of the ball. Though Park lost Treseder, his replacement, Byrne, showed the same enterprise that gave the London club a deserved lead at half time of 14-4.

If Park's performance was utterly praisworthy, so too in a different sense was Gosforth's, for they had the extra burden of being expected to win. After 20 minutes, they lost White, their loose head prop who had displayed a lot of mobility and skill at the mauls. Levinson, his bulky replacement, was there just for the scrum.

The frustration that Gosforth felt must have been immense as late in the game Gustard dropped a scoring pass and then H. Patrick put down another ball with a double overlap. Still, they persisted to play good rugby, as they had done previously when given any chance.

They owed a lot to the industry of Madsen and Roberts in the tight forwards and above all to the *sang froid* and skill of Dixon and Robinson. Dixon steadied things when the Park threatened to run amok, while Robinson supported instinctively, covering with marvellous foresight.

Also admirable was the way Young kept his team going, the audacity with which Breakey attacked in the second half and the effrontery of fullback, Brian Patrick. There was also the budding skill of Britten in the centre.

Park's defence was put to the severest test and only yielded in the final but fatal 10 minutes.

So the Cup goes North for the first time and for the second year running, Rosslyn Park finished second after another exciting final enhanced by some superb refereeing by Mr. Sanson.

Scorers: Gosforth—Tries by B. Patrick, Roberts, Gustard and Robinson; two conversions and a penalty by Young. Rosslyn Park —Tries by Ripley and Bulpitt; drop goal, Ralston; penalty, Weston.

YACHTING BY STUART ALEXANDER

Olympic hopes boosted

HYERES, France, April 25.

BRITAIN'S Olympic sailing hopes have been given a major boost with victories in three of the five classes being raced in the French pre-Olympic regatta at this Riviera resort.

The most outstanding performance was in the Tornado Class by Reg White, recent winner of the world championship in Australia. He won four of the six races and came second in the other two to win emphatically.

David Howlett, fourth in the world Finn championship in Brisbane this year, won his class by a good margin. Another Briton, Chris Law, won the earlier series in Brisbane but gave this series a miss. With two such outstanding helmsmen to choose from, the chances are good for a medal in Montreal.

And in the 470s Smith and Barker had only to hold off the American pair Ullman and Jakosky in the final race to give the U.K. its triple victory. They were spared the necessity, though, as racing was cancelled on the last day.

But in the Flying Dutchman and Soling classes the British entrants crashed. Colin Simonds ended 17th in the Soling class followed by Ian McDonald-Smith, Guy Gurney and John Oakeley.

Double Olympic Gold Medal winner Rodney Pattisson, with crewman Julian Brooke-Haughton, was 53rd in the Flying Dutchman class.

RACING — BY DOMINIC WIGAN

French challenge in classic

THE FRENCH, who have not won the first fillies classic, the £1,000 Guineas, since Hula Dancer won at 2—1 on in 1963, mount a particularly strong challenge for this year's race. It seems probable that there will be at least five cross-Channel raiders in the field.

In addition to the 6-4 favourite Flying Water, who apparently put up an exceptionally impressive display in her final serious work-out at Chantilly on Thursday, the French will be represented by Antrona, Kesar Queen, Come up, Smiling and Lunar Real.

Harapan Seal, a stable mate to Kesar Queen, was announced as a certain runner by Scobie Breasley 10 days ago, but she is reported to have disappointed in recent work and her participation must now be in doubt.

Kesar Queen has continued to please since finishing second to Riverqueen (a certain favourite for France's (1,000 Guineas) in Longchamp's Prix de la Grotte a fortnight ago and at her present odds of 16-1 she appeals as a fine each way alternative to the favourite.

Kesar Queen will be ridden by either Freddy Head or Lester Piggott, who after the withdrawal of the O'Brien pair, Malinoski and I've a Bee, is without a mount in the first two classics.

BATH

2.00—Amir*
2.30—The Bowler***
3.00—Shore Captain
3.30—Island Degree**
4.00—Paul Alison
4.30—Bremo

WARWICK

2.45—Nepotist
3.15—Mother Brown
3.45—Maori Warrior

HEXHAM

2.15—Perfect Match
3.45—Another Wire

Nineteen have been accepted for the 2,000 Guineas at the four-day declaration stage. However, it seems probable that the field will fine down to 14 to 15 because several including Whistlefield, will be scratched unless the ground improves appreciably.

Latest prices on the two Newmarket classics: 6-4 Flying Water, 12-1 Antrona, 14-1 Rowantree, 16-1 Gilding, Kesar Queen, and Pasty in the 1,000 Guineas; evens Wallow, 5-1 Manado, 9-1 Vitigs and 14-1 bar in the 2,000 Guineas.

Turning to to-day's far from inspiring racing, the safest proposition of the afternoon could well be *The Bowler* in Bath's Hodcott Stakes.

This Bold Lad colt showed notable promise when he ran third behind Charlie's Revenge at Newmarket on April 8 and then at Epsom, where he finished a seven lengths runner-up to the smart Royal Diver after failing to handle the hill as smoothly as the winner.

TV/Radio

BBC 1

† Indicates programme in black and white.

7.05 a.m. Open University (UHF only). 9.38 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Barnaby. 2.01 For Schools, Colleges. 3.20 Heaven on Earth. 3.58 Regional News (except London). 4.00 Play School. 4.25 The Wombles. 4.30 Jackanory. 4.45 Blue Peter. 5.10 John Craven's Newsround. 5.20 Bewitched.
5.45 News.
6.00 Nationwide.
6.50 John Curry's Fifty Golden Days.
7.25 Star Trek.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "If . . ." starring Malcolm McDowell.
11.10 Tonight.
11.45 Weather Regional News.

All regions as BBC 1 except at the following times:

Wales—1.45-2.00 p.m. Pili Pala. †2.18-2.38 For Schools. 6.00-6.50 Wales To-day. 6.50-7.10 Heddiw. 7.10-7.45 John Curry's Fifty Golden Days. 7.45-8.10 To-morrow's World. 11.10-11.35 TUC Conference of Wales (report). 11.35-11.45 Young Artists. 11.45 News and Weather for Wales.

Scotland—6.00-6.50 p.m. Reporting Scotland. 11.00-11.45 Public Account. 11.45 News Summary for Scotland.

Northern Ireland—3.58-4.00 p.m. Northern Ireland News. 6.00-6.50 Scene Around Six. 11.45 News Headlines for Northern Ireland.

England—6.00-6.50 p.m. Look North (from Leeds, Manchester, Newcastle): Midlands To-day (from Birmingham): Look East (from Norwich). Points West (from Bristol): South To-day (from Southampton): Spotlight South West (from Plymouth).

BBC 2

6.40 a.m. Open University.
11.00 Play School.
5.25 p.m. Open University.
7.05 The Craft of the Potter.
7.30 Newsday.
8.10 The Waltons.
9.00 The Pallisers.
9.50 Horizon.
10.40 The Camera and the Song.
11.05 Newsnight.
11.20 Closedown: Richard Bebb reads "The Minotaur," by Elizabeth Jennings.

LONDON

9.30 a.m. Schools Programmes. 12.00 Simon in the Land of Chalk Drawings. 12.10 p.m. Mister Trimble. 12.30 Drive-In. 1.00 First Report: News, FT index. 1.20 Lunchtime To-day. 1.30 Emmerdale Farm. 2.00 Good Afternoon. †2.30 Monday Matinee: "The High Command," starring James Mason. 3.55 General Hospital. 4.25 Clapperboard. 4.50 The Kids from 47A. 5.20 Batman.
5.50 News from ITN.
6.00 To-day.
6.45 The David Nixon Show.
7.30 Coronation Street.
8.00 Rising Damp.
8.30 World In Action.
9.00 Manhunter.
10.00 News.
10.30 Discovery.
11.00 Here We Go Again.
11.30 People and Politics in America: Llew Gardner interviews Stokeley Carmichael.
12.15 a.m. Through the Eyes of a Child.

All ITV regions as London except at the following times:

ANGLIA

12.30 p.m. Out of Town. 1.25 Anglia News. 2.00 Houseparty. 2.30 Monday Afternoon Film: "Bosky Spurs" starring Rory Calhoun. 4.25 The Romper Room. 5.20 [illegible]. 6.00 About Anglia. 9.00 Six Million Dollar Man. 10.35 Monday Late Film: "The Chastity Belt" starring Tony Curtis and Monica Vitti. 12.10 a.m. [illegible].

ATV MIDLANDS

12.30 p.m. Seven Ages of Fashion. 1.20 ATV Newsdesk. 2.30 Feature Film: "The Girl Who Came Gift Wrapped." 3.45 Betty Boop. 6.00 ATV Today. 9.00 Police Woman. 10.30 Platform for Today. 11.15 The Protectors. 11.45 [illegible] Peter Hall.

BORDER

12.30 p.m. Farmhouse Kitchen. †1.20 Border News. 2.00 Houseparty. 2.30 Monday Matinee: Madigan. 5.20 Out of Town. 6.00 Border News and Lookaround. 6.15 Try for Ten. 9.00 Police Woman. 10.30 Border Month. 11.15 Wild Country. †11.45 Border News Summary.

CHANNEL

1.20 p.m. Channel Lunchtime News and What's On Where. 2.30 The Monday Matinee: "If Tomorrow Comes." 5.20 Survival. 6.00 Report at Six. 9.00 Police Woman. 10.30 The Wild West. 11.00 The Collaborators. 11.55 News and Weather in French followed by Channel Gazette.

GRAMPIAN

12.30 p.m. Farmhouse Kitchen. 1.20 Grampian News Headlines. 2.30 Feature Film: "The Girl Who Came Gift Wrapped." 3.45 Cartoon Time. 5.20 The Mary Tyler Moore Show. 6.00 Grampian Today. 6.10 The Jim Macleod Show. 9.00 Police Women. 10.30 Music at Harewood. 11.00 The Zoo Gang. 11.55 Evening Prayers.

GRANADA

12.30 p.m. The Galloping Gourmet. 1.20 This Is Your Right. †2.30 Monday Matinee: "Pit of Darkness." 5.15 Meet Peters and Lee. 6.00 Granada Reports. 9.00 Police Woman. 10.30 Reports Action. †11.00 Appointment With Fear: "The Mummy."

HTV

12.30 p.m. Being A Child. 1.20 Report West Headlines. 1.25 Report Wales Headlines. 2.00 Housecall. †2.30 The Monday Matinee: "A Matter Of Choice" starring Anthony Steel. 3.40 Help Yourself. 5.20 Out Of Town. 6.01 Report West. 6.22 Report Wales. 9.00 Police Woman. 10.30 The Monday Film: "Up The Junction" starring Suzy Kendall and Adrienne Posta.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 2.00-2.30 Hamdden. 6.01-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.22-6.45 Report West.

SCOTTISH

12.30 p.m. Out of Town. †1.25 Road and Weather Report. 2.00 Housecall. 2.30 Monday Matinee: "Raising The Wind" starring James Robertson Justice, Liz Fraser and Kenneth Williams. 5.20 Wait Till Your Father Gets Home. 6.00 Scotland Today. 6.30 Crimedesk. 9.00 Police Woman. 10.30 Monday Briefing. 11.00 Late Call. 11.05 Orson Welles Great Mysteries.

SOUTHERN

12.30 p.m. The Way We Live. 1.20 Southern News. 2.00 Houseparty. 2.30 The Monday Matinee: "Planet Earth" (TV Movie). 6.00 Day by Day. 9.00 Police Woman. †10.30 "The Horror Of It All" starring Pat Boone. 11.55 Southern News Extra. 12.05 a.m. Dear Bishop. 12.10 Farm Progress.

TYNE TEES

9.25 a.m. Starting Point. 12.30 p.m. Farmhouse Kitchen. 1.20 Lunchtime News and Lookaround. 1.30 The Odd Couple. 2.00 Housecall. 2.30 Monday Matinee: "The Smallest Show On Earth," starring Virginia McKenna and Bill Travers. 5.20 Emmerdale Farm. 6.00 Today At Six. 6.35 Police Call. 9.00 Police Woman. 10.30 The Westminster File. 11.00 Music at Harewood. 11.30 Epilogue.

ULSTER

12.30 p.m. Farmhouse Kitchen. 1.20 Ulster News Headlines followed by Lunchtime. 2.00 Women Only. 2.30 Monday Matinee: "Cup Glory" (a look at 100 years of the FA Cup). 4.23 UTV Reports. 9.00 Movin' On. 10.30 Monday Night. 10.30 Monday Movie: "The Stars Are Singing" starring Rosemary Clooney and Lauritz Melchior.

WESTWARD

12.25 p.m. Gus Honeybun's Birthdays. 12.30 Wake Up To Yoga. 1.20 Westward News Headlines. 2.30 The Monday Matinee: "If To-morrow Comes." 5.20 Survival. 6.00 Westward Diary. 6.29 Sports Desk. 9.00 Police Woman. 10.30 The Wild West (the work of the Devon Trust for Nature Conservation). 11.00 Westward Late News. 11.03 The Collaborators. 11.55 Faith for Life.

YORKSHIRE

12.30 p.m. Farmhouse Kitchen. 1.20 Calendar News. 1.30 Hogan's Heroes. †2.30 Monday Matinee: "A Dangerous Profession," starring George Raft and Pat O'Brien. 5.20 Emmerdale Farm. 6.00 Calendar. 9.00 Police Woman. 10.30 Music at Harewood. †11.00 The Monday Night Film: "The Enemy General," starring Van Johnson, Jean-Pierre Aumont and Francoise Prevost.

RADIO 1 — 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.00 Paul Burnett. 9.00 Tony Blackburn. 11.00 Noel Edmonds with The Radio 1 Roadshow from Moorfoot City Centre, Sheffield. 12.30 p.m. Newsbeat. 12.45 Johnnie Walker. 2.02 David Hamilton (S) (also on VHF). 4.30 It's DLT OK! (S) (also on VHF). 5.45 Newsbeat. 6.02 John Dunn (S) (joins Radio 2). 11.00 John Peel (S) (also on VHF). 12.00-12.05 a.m. As Radio 2.

RADIO 2 — 1,500m and VHF

† Medium Wave only

6.00 a.m. News Summary. 6.02 Colin Berry (S) including 6.15 Pause for Thought. 7.02 Simon Bates (S) including 8.27 Racing Bulletin. 8.45 Pause for Thought. 9.02-11.30 Terry Wogan's Open House (S) including 10.30 Waggoners' Walk. 11.30 Jimmy Young (S). 1.55 p.m. Good Listening (VHF). 2.02 David Hamilton (S) as Radio 1, but including on 1,500m only (also 202m Scotland) 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 The Monday Music Quiz. 7.30 Alan Dell: 7.30 The Dance Band Days. 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 10.02 Sports Desk. 10.05 Band Parade (S). 11.02 David Bellan with The Late Show (1,500m only, also 202m Scotland. VHF joins Radio 1). 12.00-12.05 a.m. News.

RADIO 3 — 464m, Stereo & VHF

Radio 3 VHF only—6.00-7.00 a.m. and 5.45-7.30 p.m. Open University.

7.00 a.m. News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Sibelius (S). 9.50 Talking About Music (S). 10.20 One Piano, Four Hands (S). 11.35 Song Recital (S). 12.10 p.m. Homage to Mozart (S). 1.00 News. 1.05 BBC Lunchtime Concert (S). 2.05 Stereo Release (S). 2.55 Jennifer Bate organ recital (S). 4.00 Matinee Musicale (S). 4.55 Bandstand (S). 5.25 Pied Piper (S). 5.45 Homeward Bound. 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: Home and Family. 7.30 BBC Scottish Symphony Orchestra, part 1: Lutoslawski, Wood (S). 8.15 Words . . . by John Weightman. 8.20 Concert, part 2: Mussorgsky (S). 9.30 A Clever Thing (S). 10.30 From The Proms 75 (S). 11.25-11.30 News.

RADIO 4 — 434m, 330m, 285m and VHF

6.20 a.m. News. 6.22 Farming Week. 6.40 Prayer for the Day. 6.45 Today, including 6.55 Today's Listening and Weather. 7.00 News and more of Today including 7.25 VHF Regional News. †7.28 Weather. 7.30 News Headlines and Today's Papers. 7.45 Thought for the Day. 7.55 Today's Listening. 8.00 News and more of Today including 8.25 VHF Regional News. 8.28 Weather. 8.30 News Headlines and Today's Papers. 8.45 The Wit and Wisdom of Lord Hailsham. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. †10.45 Morning Story. 11.00 News. 11.05 Any Questions? 11.50 Announcements. 12.00 News. 12.02 p.m. You and Yours. 12.27 Desert Island Discs. 12.55 Weather, programme news. VHF (except London and SE) Regional News. 1.00 The World At One. 1.30 The Archers. 1.45 Woman's Hour (2 from 2.00), including 2.00-2.02 News. 2.45 Listen With Mother. 3.00 News. 3.05 Afternoon Theatre. 4.35 Story Time. 5.00 PM Reports. 5.50 Financial Report. 5.55 Weather, programme news. 6.00 News. 6.15 What's It All About? 6.45 The Archers. 7.00 News Desk. 7.30 The Small, Intricate Life of Gerald C. Potter. 8.00 The Monday Play (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.45 A Book At Bedtime. 11.00 The Financial World Tonight. 11.15 Today In Parliament. 11.30 News.

For Schools (VHF only)—10.05 a.m.-12.00 and 2.00-3.00 p.m.

BBC Radio London — 206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Richard Vaughan with Rush Hour. 9.00 Susie Barnes with London Live. 12.03 In Town. 12.03 p.m. Robbie Vincent's Call In including 12.45 London News Desk. 2.03 Paul Owens with 206 Showcase. 4.03 You Don't Have To Be Jewish. 4.32 Tony Fish with Home Run and at 5.00 and 6.00 London News Desk. 7.00 In Town. 8.00 Close Up. 8.30 Breakthrough. 10.03 David Simmons' Late Night London. 12.00-12.05 a.m. As Radio 2.

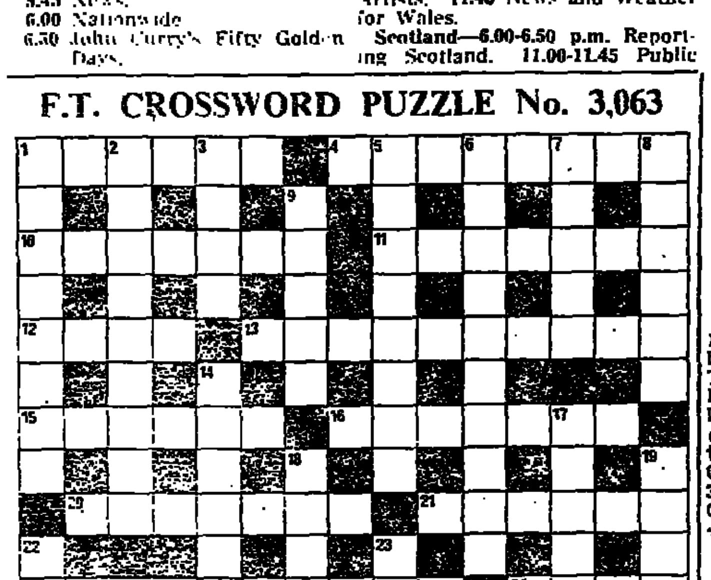
London Broadcasting — 261m and 97.3 VHF

5.00 a.m. Morning Music. 6.00 "AM"—breakfast-time show. 10.00 Brian Hayes. 1.00 p.m. Newswatch. 5.00 Newsbreak. 7.00 Music in Stereo. 9.00 Nightline. 1.00-5.00 a.m. Nightwatch—news every half-hour.

Capital Radio — 194m and 95.8 VHF

6.00 a.m. Graham Dene: The Breakfast Show. 9.00 Tony Myatt. 12.00 Dave Cash: Cash on Delivery. 3.00 p.m. Roger Scott. 7.00 Jane Walmsley and Bryan Wolfe: London To-day. 7.30 Adrian Love: Open Line. 9.00 Nicky Horne: Your Mother Wouldn't Like It. 11.00 The Late Show. 2.00 a.m. Night Flight.

F.T. CROSSWORD PUZZLE No. 3,063



ACROSS

1 It is a stripling at Bablockhithe (6)
4 Refreshment for the Olympics (8)
10 The price of birthright (7)
11 Not the gear for those who want progress (7)
12 Well let us back the politician (4)
13 Broken off, like the faster eight (6, 4)
15 The artist turns it on for a share (6)
16 Do aunts in some way amaze you? (7)
20 The girl has a game before tea (7)
21 The City includes a certain money-lender (6)
24 Summer holidays popular with the billiards player (4, 6)
26 "The —— singer of an empty day" (Morris) (4)
28 Know about the sickbay near Griz-Nez (7)
29 In the French department at school (7)
30 Hard hitters on the ranch (8)
31 What the waitress asked the gentleman sounds a problem (6)

DOWN

1 Party set for woven fabric (8)
2 About time to change to check your height (9)
3 Supplanted brother turns up in the sauna (4)
5 The stupid do not show so much concern (8)
6 Not the cabin for a square (5, 5)
7 "Grate on their scrannel pipes of wretched ——" (Milton) (5)
8 Calms everyone with votes in favour (6)
9 Bills find me at sunrise (5)
14 Down under I must follow 007 to land (5, 5)
17 There are Russian engineers in numbers—but we cannot get satisfaction (2, 7)
18 Put off about the archdeacon in Holland (8)
19 Gear necessary for an aircraft carrier (8)
22 A picture of inflation (4, 2)
23 Passes over the captains (5)
25 Ann is to be reformed in a month (5)
27 Sounds fit to measure (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Megaliths at Callanish

Ancient monuments

by WILLIAM PACKER

...ntil May 2 are both consisting ...ographs, both ...l undemonstra- ...th full of in- ...re essentially ...ibitions (which ... the quality of ...s themselves, ... extraordinary, ... and they de- ... to fascinate us ...herent in their ...ange and am- ...nd of archaeo-

...ry is given over ...y an exhibition ...erything in it is ...; but that does ...is something of ...d the enlarged ... the walls effec- ... attention away ... discussion and ...h can wait for ...onsideration, to ...sis instead upon ...l assimilation of

... Ground Draw- ...eat puzzle: only ...s, some of them ... several miles ...ountry, may be ...he ground, and ... spirals must be ... air. They cannot be dated with any precision. All that can be said is that they were made no earlier than 500 BC, and no later than AD 1300. Dating by astronomical coincidence is highly speculative.

The configurations are of great variety, and equal complexity. Even at their simplest, with straight lines and basic geometric figures, they soon work thmselves together into a dense mesh. The spirals and representational figures are extremely ambitious, both in scale and in the degree of their stylisation: spirals a mile across, birds and plants hundreds of yards long. They were made simply by removing the dark brown surface of the ground to a maximum depth of about a foot, revealing the lighter, yellower subsoil: and geology and climate have conspired to preserve them, the spider, iguana and humming bird, and all the rest, in almost perfect condition. Now pollution threatens to bring rain to this desert, which will wash them away at last.

They were discovered in 1939 by Dr. Kosok, an American academic, since when they have been the constant preoccupation of Maria Reiche, by now the leading authority on them. She has collaborated with the Kunstraum, Munich, in preparing this exhibition and publishing the catalogue. The exhibition is touring the country under the auspices of the Arts Council.

The Entertainment Guide is on Page 8

★

Next door, along the corridor to the restaurant, which is hardly the best showing space in London, is a small complementary exhibition that brings the Peruvian study nearer home. Professor Thom, whose study was engineering science, has made it the work of his autumnal years to survey with the strictest accuracy the megalithic sites of Britain and France, which have survived so long only to be destroyed in our generation. His findings have proved of profound archaeological importance.

It is now clear that the stone circles and avenues were laid out by men who had command of a most sophisticated geometry, which they applied with astonishing consistency. The structures they built were efficient and accurate tools for astronomical observation and prediction. We look back into pre-history, and find the salutary evidence of practical intellectual activity, married to barbarous religion no doubt, but no less real for that. Thom's drawings and plans are augmented by excellent photographs from numerous sources, from the Cambridge Air Survey to Fay Godwin, a young photographer whose own documentation of the Berkshire Ridgeway is on show in the foyer.

What has all this to do with Art? The past is important to artists, as it should be to all of us: and all that Man has done, for whatever reason, is worth some attention. The creative imagination may feed on anything. Strange markings in a Peruvian wilderness were contrived somehow, and remain to us: and that atavistic urge, to mark the earth's surface to signify one's brief presence in the world, is very strong.

Many artists to-day respond directly to it: Hamish Fulton walks across the moors, Michael Heizer digs holes in the desert, while Walter de Maria draws lines across it. There are many more artists thus engaged (whether good or bad must remain for the moment another issue). Maria Reiche acknowledges such activity in her book, and nods towards Thom country with a reference to the White Horse of Uffington.

Wigmore Hall

Rosa Barbany

by RONALD CRICHTON

A programme of Spanish songs from roughly the turn of the century to the present day is always in danger of making the same impression, that Granados and Falla stand well above the minor figures using the same limited language with fluency, ingenuity and bursts of distinction. Friday's recital by the mezzo Rosa Barbany, who has studied in Italy and London (with Roy Henderson) as well as in her native Barcelona, was no exception. The second half of her programme was a centenary tribute to Falla. The first half brought one or two unfamiliar things—Gúridi's "No quiero tus avellanas," Mompou's "Llueve sobre el rio," dedicated to this singer, and a "Minuú cantado" by Nin.

These are slow or fairly slow songs where Miss Barbany could make the most of her warm, sympathetic middle register. In quicker songs she kept her words too far back, was forced to press on the tone and sometimes went below the note. This is something to work at, since so many Spanish songs insist on pointful epigrammatic delivery for their effect—the "Comptina" of Mompou was an example. Significantly the well-known "Lullaby for a black baby" from Montsalvatge's Negro Songs went much better than the livelier numbers in the set where the texts failed to come across and, in the last one, the rhythmic attack was imprecise. There were fine moments, in the three "Maja dolorosa" tonadillas of Granados but their sorrowfulness needs lightening with a touch of irony.

The Falla half, included, naturally, the Seven Spanish Popular Songs of which the lovely "Asturiana" had the finest performance of the evening. Miss Barbany also sang an early song, "Tus ojillos negros," from Falla's zarzuela period, whose success in the U.S. during the war (owing to a failure to take out copyright there had been an unauthorised publication) embarrassed Falla, by now tempermentally far removed from entertainment music. He need not have been ashamed: it is a charming song of an undemanding kind. Salud's two arias from La vida breve, though they are high for the mezzo, brought some glowing phrases. Brian Stanborough accompanied.

Arts news in brief

Bugsy Malone has been selected as the official British entry in competition at the Cannes Film Festival.

Bugsy Malone was written and directed by Alan Parker. The producer is Alan Marshall; words and music are by Paul Williams.

★

Owing to the immense response to booking for The Royal Ballet at Sadler's Wells — first night May 25—the season has been extended to June 12. This allows the company to add Les Sylphides to its season's repertoire. There will also be further performances of Checkmate, Raymonda Act III, Card Game and Jack Carter's new ballet, Lulu.

★

The 1975 Grierson Award, presented to the best British short film produced within the year, goes to the Central Office of Information and the Department of the Environment for Drive Carefully, Darling, directed by John Krish. This is a lighthearted approach to the subject of road safety.

The runner-up was It Happened Here Again, directed by Eric Mival and Patrick Lui, a documentary dealing with the difficulties of independent British film-making to-day.

★

A season of work originally planned for the National Theatre's small house the Cottesloe, is to be given at the Young Vic from June 17 to October 2. The first production will be Troilus and Cressida, with Simon Ward and Diana Quick; directed by Elijah Moshinsky and designed by Timothy O'Brien and Tazeena Firth.

Coliseum

Dancing Space

by CLEMENT CRISP

Barry Moreland's latest creation for Festival Ballet received its first London performance on Friday night. Set to Mozart's K.467 piano concerto, Dancing Space is a plotless ballet for six dancers: Gaye Fulton, Patricia Ruanne, Judith Rowann, Paul Clarke, Peter Breuer and Kerrison Cooke. Cecilia Doidge's designs are simple: a cyclorama cloth in blue against which the men wear blue leotards, the women restrained blue dresses. Our attention is thus concentrated upon Mr. Moreland's treatment of the score, with its delicate interplay between the dancers, its moods and hints of feeling. The language is neo-classic, lyrical, and in the first and third movements it has a pleasing air of happy encounters, of young people dancing freely and happily on the music's surface. Ballets of this kind to established masterworks are intensely difficult to bring off: alone, Balanchine seems to have found the perfect way of copibg with both musical form and texture, feeding his choreography from the music's qualities, often in concertante style with soloists framed and supported by a subordinate ensemble.

By allowing himself just six dancers, Mr. Moreland has made his task more considerable, and his achievement more satisfying in the skill with which he uses his limited forces to explore the structure of the outer movements. The final rondo is especially well-reasoned in the way the choreography sets each dancer a brief variation that springs without effort from the overall pattern. There remains, though, the poblem of the central adagio. Here the music's intensity of feeling has lured Mr. Moreland into essaying a parallel in which vague and unspecified emoting for Gaye Fulton, Paul Clarke and Kerrison Cooke provides a somehow unhelpful commentary upon the score. We are unable to accept the three dancers as figures impelled by the music: there is nothing inevitable about their movement, and their "secret" drama seems gratuitous.

But nevertheless, because well danced and well made, Dancing Ground is a welcome addition to Festival's repertory, and it is an interesting pointer to Mr. Moreland's increasing mastery as a creator.

The programme also included two tried and true Repertory favourites. Whether the marvellous presence of Leonide Massine in the audience somehow inhibited the company I do not know, but their view of The Three Cornered Hat was altogether too reverential. Passion and vitality were at a premium, and something of the manic vigour which made the succeeding Graduation Ball a caricature of itself would have been far better applied to the Spanish peasantry rather than to the young ladies of Lichine's academy.

The best things about Graduation Ball were the performances of Carole Hill and Nicholas Johnson as the Junior Pupil and Junior Cadet. Their interpretations had charm and sweetness of manner, and their dancing looked fresh and appealing. The worst and most dismaying matter in a company performance that had a good deal of the rough-house about it was the activities of one young lady who mugged relentlessly through the Sylphide divertissement—and was rewarded by one very cheap laugh—and whose behaviour suggested that Festival Ballet should pause and consider exactly what Graduation Ball means. It is certainly not a balletic Hellzapoppin.

Amateur Theatre Festival at Ealing

The International Amateur Theatre Week will be held at the Questors Theatre, Ealing, from May 1-8. This is the fourth such week to be held there, and this year it is sponsored by Canada Dry (U.K.) Ltd.

Visiting companies include the Sundrive Players from Dublin, in a stage version of Joyce's Finnegan's Wake; Les Draveurs, a Canadian company, in two group productions; and the Teatr KUL from Lublin, Poland, who play "wordless" theatre.

...rt

...ting for Godot

...y B. A. YOUNG

...Court's season ...muel Beckett's ... begins aus- ...a visit from the ...r's production of ...lot. It is directed ...self, and so may ...e regarded as

...es no attempt to ...e figures of ...ladimir. As Horst ... Stefan Wigger ... are almost like ...Vigger's Vladimir, ...nly, wears about ...gns of the basic ...ny man, his toes ...rooping shoulder ...ight arm much ...s left, his fingers ... at improbable ...ann's Estragon, a ...s posed on a pair ...sers a world too ...andy legs. Their ... artificial, often ...s if they were a ...ble-act. They are ...l and Hardy: they ... Jeff.

...ke appearance heightens the effect of what they say, for they make no attempt to drain the humanity from their words. What we see in these two fine performances is the ultimate state of man at the nadir of existence.

The insistence on putting expression into words that seem not to contain very much call for it shows even more strongly in Klaus Herm's delivery of Lucky's "thinking." He speaks the meaningless drivel as if it were poetic oratory—as to him, no doubt, it is. Pozzo is unexpectedly almost as ragged as the tramps, though his outward-brushed moustache and his lorgnette indicate a superior origin. Carl Raddatz has a resonant, deep voice that glows with authority, and he at any rate is not deprived of his reality.

It is always beneficial to see a play that is beginning to seem over-familiar done in another language; it focuses the attention on details that risk being taken for granted. When it is such a fine production as this one, the benefit is doubled.

Festival Hall

Menuhin

Yehudi Menuhin's 60th birthday was celebrated in London on Friday evening by a recital of Bach, Bartok and Beethoven violin sonatas played with his pianist son Jeremy. From the large audience, the warmth of welcome, and later of response, could have been predicted. But it was also a musically happy occasion, one on which ease and accuracy of technique as well as nobility of spirit descended on Menuhin's violin—by no means always the case in recent years.

After a Manchester concert in the mid-1930s, Neville Cardus discerned that the art of the violinist (then just into his twenties) had grown "wiser and sadder." The marvellous thing about Friday's performance of Beethoven's G major Sonata, Op. 96, was its fusion of wisdom and serenity, purged of exterior show or fuss, instinctively at one with (and within) the inward manner of this most contemplative of Beethoven violin sonatas. If by such can be understood Cardus's sense of the word sadness, then Menuhin has in the intervening 40 years grown as wise as Solomon and as sad as Niobe.

One aspect of Menuhin's art has, however, developed that Cardus could not have foreseen when he waxed effusive the "incredible technique" of "this gifted boy": that in later years his gift of poetic intimacy in musical expression would be increasingly prone to interruption by sudden, unpredictable bouts of insecure bowing, with misplaced notes scattered like showers of sparks across the course of a phrase, or thin, sour conclusions to pure, rapt beginnings. From a player able to communicate an instinctive musicianship at its most eloquent, such flaws were apt to disturb the spirit of the music as they might not performances with harder surfaces, with less to give and less to lose.

Here, however, after the opening Bach E major Sonata—whose slow chaconne was shaped with a spontaneity of phrasing that sounded paradoxically rouged and artful when not supported by just intonation and full tone—all became well. The Bartok First Sonata was a suitable centrepart of a suitably planned programme, a reminder of a fidelity to the composer that did so much to establish an audience for his music. The still great challenge of its angularly soaring lyricism won superbly expressive as well as toughly contoured playing from both violinist and pianist. A certain reticence from the younger Menuhin was elsewhere understandable; in those Adagio episodes that deepen the humour of Beethoven's buoyant Finale, he manifested something of his own quiet skill. The concert was typically from this most humane of musicians, in aid of Amnesty International.

★

A short chorus of praise for the National Youth Orchestra's annual Easter concert in the same hall on Saturday afternoon: short, because the same things tend to be said about each NYO concert—about the exhilarating effect of playing meant in every bar and every note, fresh, full-hearted, robust but also amazingly expert. On this occasion, the conductor was the young Swiss Charles Dutoit, clearly very much the man to inspire bold playing, an elegant, sensitive musician with enough swagger and "go" to win the complete confidence of young players.

The programme was testing, or so it seemed until one forgot to notice tests triumphantly passed: the Berlioz Roman Carnival Overture and the first version of Petrushka, both given performances of crackling vitality, not always convincing about dynamics around or below piano, but bright hued and dramatically zestful. In between, there was intense, keen-eyed accompaniment in the Brahms Double Concerto (possibly over-intense: Brahms needs those moments of repose never quite forthcoming here, though the absence of sogginess was heartening). The soloists, the sisters Chung, fitted ideally into this frame: Myung-Wha the darkly poignant cellist after a somewhat fuzzy opening, Kyung-Wha the vibrantly poetic violinist, both apt conductors of the prevailing electricity.

MAX LOPPERT

...Hall

Eric Hope

...y DOMINIC GILL

...iano recital on ...c Hope offered a ...f Beethoven and ...tly, uneventfully ...gagingly played— ... of the kind one ...sed to hear from a ...t a friend's house ...somewhat clouded ... from time to time ...rubato quirks, but ...nsible, forthright, ...e quirk in particu- ...slowing down to ...mpo for not all ...nate, bars of the ...t of the Pathetique ... movement seemed ... but inexplicable).

...n's op. 110 he gave ...e exposition—one ...emory lapse in the ... to the arioso ex- ...r than a reading ...l us any closer to ...us heart of the ... was interesting to ...e's two early Beet- ... both of them un- ...a British Museum ...y the indefatigable Jack Warner—a little Fugue in C major, probably written during 1794-95 while Beethoven was taking lessons from Albrechtsberger, full of strident, unconventional pre-echoes of the mature fugues; and a Rondo in B flat, a nice bravura fun-piece dating from around the time of Beethoven's departure from Bonn in 1791.

Interesting also to have the chance to hear Chopin's rarely played Variations brillantes on the Rondeau favori "Je vends des scapulairies" from Hérold an Halévy's Ludovic—proud, glittering early Chopin—even if the performance itself might have benefited from a deal more pride and glitter than it actually possessed. Of the rest of his Chopin group, which also included four mazurkas, the Barcarolle and the Grande Polonaise Brillante op.22, the Berceuse stood out as something less than a model of neatness and sweetness—but it had all the same an air of unpretentious, wistful (bordering once or twice on the rueful) charm.

Festival Hall

LPO

by MAX LOPPERT

The high tally of spring indispositions among musicians was increased last Thursday by Carlo Maria Giulini, with Edward Downes a brave late replacement to direct Giulini's London Philharmonic Orchestra concert and programme. One imagines, from the number of rough edges in Dvorak's D minor Symphony and the knobbly finish to slow-movement phrases and dynamics, that Mr. Downes's rehearsal period must have been brief. Even so, he and the orchestra powerfully caught the pulse of Dvorak's most powerful symphony—particularly in the Finale the rhythms gathered impressive weight, Brahmsian in the helpful sense, and elsewhere there was toughness and true symphonic force, if not much of lyrical easing or grace.

Earlier, he had led a stern account of the Kindertotenlieder, with Janet Baker in unusually dark and severe mood, biting angrily at Mahler's mourning phrases, chary of the pp markings, often chopping them with breaths (a surprise indeed from this singer), seldom releasing the memories with tenderness or colouring softer shades of regret. There was one superb moment in the first song, the rising sixth on "Nacht," to relieve the blackly dramatic mood; but the performance was, as a whole, more impressive than moving—the last thing one expects to write about Dame Janet.

There was eloquent oboe playing here, and fine full-mettled ensemble from the horns in the Freischütz Overture, the most poetically imagined performance of the concert, with a real sense of atmosphere for Weber's Wolf Glen spine-chills, and a broad spanning of the big heart-lifting finale. Mr. Downes has, of course, opera-house experience of the music, here gratefully drawn on. Would that he could bring the opera itself back to London: is Weber really to be permanently exiled to the concert hall?

...ne Spirit' ...National

...nal Theatre's next ...t the Lyttelton, the ...nate there, with be ...'s Blithe Spirit. It ... June 24.

...en will play Elvira, ...n will play Charles ...h Spriggs, Madame ...of them appearing ...npany for the first

...nal's production of ...of the Western ...eturn to the reper- ... Lyttelton later in ... for seven per- ...nly before transfer- ...Olivier. The cast is ... at the Old Vic last

Bracknell Jazz Festival

Two days of top international jazz, under canvas, in the landscaped gardens of South Hill Park in Berkshire, a 19th century mansion but now an arts centre for Bracknell New Town, is promised with the announcement of the second Bracknell Jazz Festival.

It will be held on the weekend of July 24 and 25 and though negotiations with bands are still at early stages, the Humphrey Lyttleton Band and the Stan Tracey Octet have already been signed to appear. Pianist/composer Tracey will be presenting music specially written for the festival.

HOME NEWS

CBI chief says Price Code holds back investment

FINANCIAL TIMES REPORTER

COMPLIANCE with the Price Code is preventing investment of millions of pounds in industry and killing chances for job creation, says Mr. D. R. Glynn, economic director of the Confederation of British Industry.

Mr. Glynn writes in the CBI Review that company executives must spend valuable time and money administering the Code "instead of increasing efficiency or winning orders."

He quotes many examples showing how the regulations on prices and profits have hit companies, including a large engineering concern which rejected an investment plan designed to create an annual profit of £1m. because implementation of the Code would have resulted in a £300,000 loss.

"The time spent on administration is enormous, not only by accountants but also by company chairmen and top executives. This, of course, detracts from the more useful work which they should be doing, to raise efficiency and obtain more business, including exports."

Other examples of what the CBI claims are detrimental effects of the Price Code include a food manufacturing company which dropped a plan to replace old machinery at a cost of £250,000 because of the inadequate return allowed by the law, and a manufacutrer which cut its investment programme by £25m. because of reduced chances of profits.

Further underlining its case, the CBI mentions a U.K. subsidiary of a foreign-owned company with plants in other EEC countries which said it was unlikely to expand any further in Britain because of price and profit controls.

Electronics industry criticised

BY CHRISTOPHER LORENZ, ELECTRONICS CORRESPONDENT

THE BRITISH electronics industry appears to allow customers credit periods which "can be explained only as largesse" and which should be curtailed in order to raise profits, according to Inter Company Comparisons' latest three-year statistical analysis* of the financial performance of 60 leading companies in the industry.

This was only one of several extremely critical conclusions in the report. It also points out that the companies' overall sales growth of almost 40 per cent. over the period was probably more than accounted for by inflation: individual performance varied widely, with nine companies increasing sales at over 30 per cent. a year, and ten showing growth of under 10 per cent.

Bright

The average fall of 22 per cent. in gross profit margins between the latest two years (1973-74 and 1974-75) was due, to some extent, to the "very poor" performance of one large company, the report says (referring to Philips Electronic and Associated Industries).

In one of its few bright comments, the report notes that the companies with high profit margins generally maintained them over the past two years: it was those in the medium-to-low range which were reduced.

In common with Thorn Consumer Electronics and Ferranti, Philips (also in the case of the Dutch group's subsidiary, Associated Semiconductor Manufacturing) suffered a sharp fall in the return on capital employed, with the recession obviously a main factor for the consumer-product companies.

A big increase in the ratio of exports to total sales over the full three-year period is reported, from 17 to 21.5 per cent. in terms of weighted averages, with Thorn Consumer Electronics virtually doubling its ratio to 26.1 per cent. in one year (though the domestic recession must have played some part here).

Nine of the 60 companies now exported more than 40 per cent. of their turnover: Instron, Foxboro-Yoxall, Racal Electronics, English Electric Valve, Texas Instruments, Avo (part of Thorn), Marconi Instruments, British Electronic Controls and the Solartron Electronic Group (part of Schlumberger).

For most of these companies, fast growth was combined with very high margins, but "their asset utilisation is generally indifferent, their stock turnover low and credit periods long."

Problems

"It is quite evident that there are problems associated with exporting."

The report's criticism of the length of credit periods is not confined to the export trade. The table comparing the companies' overall credit periods shows that they allow their customers an average of 101 days, and only 20 companies have a credit period of less than three months.

The spread of companies is too wide for the influence of a monopoly buyer to have such a general effect, the report says. "But who does the buying? Why do they have such dictatorial powers? Alternatively, why do the electronics companies put up with such a situation?"

*Report on Electronics Manufacturers, ICC Business Ratios, 81 City Road, London EC1Y 1BD. £34.

Antimony oxide price rises

A rise in the U.K. price of antimony oxide, from £1,375 to £1,430 a metric ton from to-day is announced by Associated Lead.

Neglect of design talent blamed for textile decline

THE BRITISH textile industry is criticised to-day for lack of innovation, disregard of available design talent and preoccupation with a fabric's technical performance at the expense of its desirability as a product.

In an article in the Design Council's magazine, Design, the industry is told that long-term success in the world market will require much greater energy and vision than it has shown, and it is urged to get out and beat the foreign opposition at its own game.

The overall British balance of trade deficit in textiles and clothing had nearly doubled from £115m. in 1974 to £224m. last year, and the number of workers dropped from 853,000 to 801,000.

Appetite

The import figures, including goods from the U.S., suggested that an appetite for good-quality products existed both in the U.K. and parts of the EEC, but that British manufacturers were failing to recognise and fulfil demand.

Design says that there is real talent among our art school graduates but it has serious doubts whether the home industry makes the best possible use of it.

Virtually the only opportunity of seeing an exhibition of work by British textile designers was Texprint, but the show had come to be regarded as "primarily a good opportunity to sell to foreign buyers."

The magazine also refers to the "technician's cloth versus the designer's cloth" syndrome. The man-made fibres industry had developed materials which can be boiled, did not shrink or crease, could be packed in a wash-bag — but which looked dreary and uninteresting.

"The argument that it sells so it can't be bad, isn't good enough. Part of the industry has allowed itself to be carried away by the mystique of technology to the extent that it cannot allow itself to trust something as unquantifiable as 'design'."

The British industry's antipathy to design deeply affects personnel structure. It is commonly accepted that an accountant taken on is director material but few designers get, or seek, management training.

A "two cultures" mentality within an industry which is so dependent on both design and technical skill makes no sense, it says, and suggests that trainee designers should be seconded to industry to face technical and managerial problems at first hand.

Tripled receipts fail to halt decline of National Savings

BY DONALD MACLEAN

THE RELATIVE decline of national savings as an investment channel continued in 1975-76, in spite of a late inflow of deposits and a tripling of the previous year's net receipts.

The movement reports net receipts for the year of £712.9m., including undistributed interest of £347m., raising the amount invested to £11.56bn., on the basis of preliminary returns.

The building societies, however, which compete closely with National Savings, have reported net receipts over the year of some £3.5bn., while the central Government borrowing requirement for the year reached an estimated £8.8bn., with only about 8 per cent. of it to be covered by National Savings.

The flow of funds into National Savings has benefited in recent months from the general fall in interest rates, which has increased the competitive strength of the movement.

But the fall in the value of sterling, which on Friday led to a 1½ per cent. increase, to 10½ per cent. in the Bank of England Minimum Lending Rate—still below the 12 per cent. of late last year—threatens to weaken the position of the movement once more, unless the Government steps in to improve the terms offered on the various investments.

A net inflow of £63.8m. to the movement in March, excluding interest, was the highest for any month since May, 1962, and the best March figure for six years. That was largely the result of a net investment of £11.5m. in Savings Certificates linked to changes in retail prices, which are available to those of national retirement age, and to net receipts of £34.5m. for the Trustee Savings Banks.

Taking the year as a whole, there were net receipts of £251.9m. from index-linked certificates, introduced in June, and of £25.3m. from index-linked Save As You Earn contracts, introduced in July.

	1975-6⊙ R'cpts	1975-6⊙ Repayments	1974-5 R'cpts	1974-5 Repayments
	£m.	£m.	£m.	£m.
Savings Cert*	698.1	406.4	311.7	355.2
Save as you earn:				
Dpt. Nat. S.	42.6	12.6	26.7	16.7
T. S. Banks	13.3	8.2	21.8	9.6
Total SAYE	60.9	20.8	48.5	29.3
Br. Sav. B'nds &Nat Dev B'ds	118.3	101.9♦	114.9	183.4♣
Premium B'ds	137.3	69.9	118.0	74.2
Nat. S. Banks:				
Ord. accs.	540.4	591.0	535.8	592.8
Inv. accs.	110.3	106.9	91.0	109.0
Total N.S.B.	650.7	637.9	627.8	701.8
Trustee B'nks:				
Ord. Depts.	3,069.5	3,033.5	2,300.6	2,811.0
Sp. Inv. D'ts	748.4	742.6	583.4	628.8
Current accs.	1,103.8	1,042.4	866.1	535.6
Total T.S.B.	4,921.7	4,828.2	4,050.1	3,975.4
Total	6,487.0	6,121.1	6,251.0	5,323.3
Net savings	+365.9		−72.3	
Est. Acc'd Int.	478.8	—	445.8	—
Int. on Certs.	—	123.1	—	120.7
Int. bonus pab. on SAYE	—	3.5	—	3.9
Total	6,965.8	6,252.7	5,696.8	5,447.9
Ch'nge in sum remaining invested	+712.9		+248.9	

⊙ Estimated for 52 weeks. * Includes index-linked issue receipts of £251.1m., and repayments of £1.4m. ♠ Includes index-linked contracts £25.3m. ♦ Includes £36.7m. bonds paid off on maturity. ♣ Includes £23.6m. bonds paid off on maturity. ‡ Includes bonds repaid on maturity.

Big brewing complexes criticised

By Kenneth Gooding, Industrial Correspondent

A BROAD HINT that Britain's two main brewers Allied Brewers and Bass Charrington, may have made the wrong decision in developing monster brewing complexes comes to-day from stockbrokers Panmure Gordon and Co.

The suggestion is in a review of events in the £405m. takeover, Britain's biggest, of Watney by the Grand Metropolitan group, and the tribulations which followed.

There was a big alteration in cost structure of brewing and distribution. In 1966 distribution, including labour, took 18 per cent. of costs, compared with 25 per cent. for production, excluding raw materials. Watney now finds the two cost areas of equal importance following the rise in draymen's wages and in fuel costs.

But it has decided to keep as many regional centres open as possible, concentrating on locally acceptable beers. Plans to close the Trowbridge brewery were shelved. The wide expansion of Mortlake and Manchester was too far ahead to be stopped.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Incentive Marketing and Sales Prom. (cl. Apr. 28)	Metropole Centre, Brighton
To-day	Manchester Toy Show (cl. Apr. 29)	Belle Vue
To-day	Int. Cleaning & Maintenance Exbn. (cl. April 30)	Olympia
To-day	Storage, Handling & Dist. Exbn. (cl. Apr. 30)	Olympia
To-day	Automotive Service Equipment Exbn. (cl. Apr. 30)	U.S. Trade Center, W.1
To-day	Int. Fire Security and Safety Exbn. (cl. Apr. 30)	Olympia
Apr. 27—29	Leather and Associated Trades Show	Nat. Exbn. Centre, B'ham
Apr. 27—29	Laboratory Equipment Exhibition	Cunard Int. Hotel, W.6
Apr. 27—29	Industrial Dev. Exhibition and Congress	Royal Lancaster Hotel, W.2
Apr. 27—30	Int. Pipeline Eng. Exbn. and Convention	Earls Court
Apr. 27—30	International Marine Exhibition	Earls Court
May 3—7	Int. Instruments, Electronics & Automation Exbn.	Nat. Exbn. Centre, B'ham
May 3—7	Int. Pneumatics and Hydraulics Exhibition	Nat. Exbn. Centre, B'ham
May 10—12	Air Cargo Services and Equipment Exbn.	Heathrow Airport
May 11—13	Word Processing Exhibition and Conference	Cunard Int. Hotel, W.6
May 14—16	International Air Fair	Biggin Hill
May 15—22	Buxton Antiques Fair	Pavilion Gardens, Buxton
May 16—19	London Meat Trades Fair	Alexandra Palace
May 16—20	Int. Contract Furnishing and Interior Design Ex.	Olympia
May 17—21	Danish Food and Drink Exhibition	Bloomsbury Centre, W.C.1
May 17—21	Int. Safety Trade Exhibition and Conference	Nat. Exhib. Centre, B'ham.
May 18—20	London Toy Show	Cunard Int. Hotel, W.6
May 23—27	Int. Home Electronics, Domestic Appliances Exbn.	Nat. Exbn. Centre, B'ham.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Spring Fair (cl. Apr. 28)	Zagreb
Current	International Household Fair (cl. May 2)	Amsterdam
Current	Swiss Inds. Watch and Jewellery Fair (cl. May 3)	Basle
Current	International Motor Show (cl. May 4)	Barcelona
Current	International Handicraft Exhibition (cl. May 6)	Florence
Current	Brussels Trade Fair (cl. May 9)	Brussels
Current	International Fashion Trade Fair (cl. Apr. 29)	Dusseldorf
Current	International TV Programme Market (cl. Apr. 30)	Cannes
Apr. 28—May 5	Modern Technology Exhibition	Tehran
Apr. 28—May 6	Hanover Fair	Hanover
May 1—9	International Air Show	Hanover
May 1—16	International Trade Fair	Paris
May 1—6	International Book Festival	Nice
May 4—8	World Tobacco Exhibition	Geneva
May 6—22	New Zealand Trade Fair	Wellington
May 11—15	Int. Energy Economy Exhibition and Forum	Oslo
May 13—22	International Food and Allied Expo.	Pretoria
May 14—23	International Agricultural Fair	Novi Sad
May 14—23	International Building Equipment Exhibition	Paris
May 17—20	Int. Hovering Craft and Hydrofoils Exbn. & Conf.	Amsterdam
May 22—29	Woodworking Machines Exhibition	Milan
May 22—31	International Trade Fair	Bordeaux
May 22—Jun. 2	International Fair	Padua

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Apr. 27—28	Bradford Univ.: Dynamic Programming	Heaton Mount, Bradford
Apr. 27—29	BACIE: Training Design	16, Park Crescent, W.1
Apr. 27—30	Northwood: North Sea Pipeline Operations	Cromwell Hall, Earls Court
Apr. 28	D.o.E.: The Construction Ind's Export Challenge	Portman Hotel, W.1
Apr. 28—29	ESC: Employee Participation in Europe	Hotel des Bergues, Geneva
Apr. 28—29	Ass. Cert. Accts.: Investment Appraisal	Clifton Ford Hotel, W.1
Apr. 29	Bus. & Ind. Trg.: An Approach to Private Medicine	Cafe Royal, W.1
Apr. 29—30	Financial Times, the Banker and the Investors Chronicle: New York—World Financial Centre	Waldorf-Astoria, New York
Apr. 29—30	Inv. and Prop. Studies: Man. of Foreign Currency	Inn on the Park, W.1
May 3	I.G.D.: Convention, 'Time for Initiative'	Metropole Hotel, Birmingham
May 3—4	Financial Times, Norwegian Journal of Commerce and Shipping, Svenska Dagbladet, Berlingske Tidende, Helsingin Sanomat: The North Sea in 1976	Hotel Scandinavia, Holbergs Gate 30, Oslo
May 4—5	Brunel Univ.: Investment for Production	Uxbridge, Middlesex
May 4—6	IPM Personnel Management Conference	Royal Lancaster Hotel, W.2
May 6—7	Graham & Trotman: Winning Business in Iran	Royal Lancaster Hotel, W.2
May 7	Parker Barrett: Taxation & the 1976 Budget	Cambridge
May 9—12	Annual Conf. EVAF: Eur. Assoc. Ind. Mktg. Res.	Sheraton Hotel, Brussels
May 10—14	Kepner-Tregoe: Decision Making for Senior Man	Leamington Spa
May 11	Inbucon Grp.: Relocation or Dislocation	Financial Times Cinema
May 11—12	E.B.I.: International Money Management	Paris
May 11—13	Method Devp. Works Study Appreciation	10, Woodhouse Sq., Leeds
May 11—14	"PLAR": Latin American Reinsurance Pool Conv.	Asuncion
May 11—14	Urwick: Business Modelling	Urwick Centre, Slough
May 12	Imperial College, International Finance	Imp. College, S.W.7
May 12	Stanlland Hall: North Sea Oil and British Economy	Churchill Hotel, W.1
May 13	Henley Centre: The Pensions Dilemma	Carlton Tower Htl., S.W.1
May 14	Guardian: Industrial Tribunals	Park Court Hotel, W.2
May 16—27	Wales Int.: Executive Action Programme	Stratford-upon-Avon
May 19	BIM: Economics and Efficiency of Distribution	Preston
May 24	NEDC: EEC Regional and Ind. Policy Seminar	Durham University
May 24—26	Asian Seminars: Taxation and Investment	Hong Kong
May 24—28	P-E Cons. Grp.: Leadership in Management	Training Centre, Egham
May 25—26	M.E.S.: The Practice of Credit Control	Connaught Rooms, W.C.2

[...]NT. TURNOUT IN PORTUGAL POLL

[...]mate likely [...]ajor parties

[...]AN LISBON, April 25

[...]al's first free [...]tions for half [...]o a brisk but [...] were none of [...] outside pol- [...] marked the [...]st year's con- [...] poll. first [...] that turnout [...]e 80 per cent. [...] final turnout [...]er cent. [...]ters were the [...]h Dr. Alvaro [...] of the Com- [...]ing his ballot [...]l polling booth

[...]der, Dr. Mario [...]optimistic note [...]his local voting [...] that his party [...]40 per cent. of [...], compared to [...]nt. last year.

Altogether, a total of thirteen parties are fighting for the 263 seats in the legislative assembly. However, the lion's share of the vote is likely to be distributed among only four parties—the Socialists, the Communists, the Centre Democrats (CDS), and the Popular Democrats (PPD).

With most observers agreed that the electorate is unlikely to give a clear mandate to any of the major parties, most attention has now focused on whether a majority of votes will go to the parties of the left, the Communists and Socialists, or to the parties of the right — the PPD and the CDS.

After two years in which the country has gone through six provisional governments and three coup attempts on top of the one which ended the right wing dictatorship two years ago to-day, a more muted note has crept into Portugal's politics.


Soares: "Confident"

As attention has moved away from the debate over what kind of political system the country should have, so the more immediate issues—the ruinous state of the economy, the collapse of authority and the disastrous outcome of the decolonisation programme — have come to occupy the centre of the stage.

Nevertheless, whatever the final result of to-day's polls turn out to be, Portugal will still have to wait another two months before it has a properly constituted government. The sixth provisional government headed by Admiral Pinheiro de Azevedo is to remain in office until after mid-summer's presidential election.

French economy to grow by 5 per cent

BY ROBERT MAUTHNER PARIS, April 25.

THE LATEST official forecasts for the French economy give a much more optimistic picture than only six months ago, although they hardly justify the euphoria on this score displayed by President Giscard d'Estaing at his news conference last week.

What is certain is that the overall growth of the economy will have recovered beyond all expectations in 1976, after the negative results of last year, and that inflation too will be kept within reasonable bounds. On the other hand, the trade account and industrial investment are two problems which are likely to be exacerbated this year, while unemployment, too, will remain a matter of serious concern.

According to the forecasts of the National Accounts Commission which have just been made public, GNP will grow at an annual average rate of 5 per cent. during the current year and by 5.2 per cent. in 1977, compared with a forecast of 4.7 per cent. for 1976 made last September. Some members of the Commission even expressed the opinion that growth this year would reach 6 per cent.

Overall consumption is expected to rise by 3.9 per cent., against the original prediction of 2.4 per cent., while inflation, though higher than previously forecast, will probably drop to something like 8.5 per cent. from last year's 9.5 per cent.

The strong recovery of economic activity will have the inevitable result of sucking in more imports than originally expected. Indeed imports are likely to grow in 1976 by more than 12 per cent., about double the rate of growth of exports, producing a trade deficit in the region of Frs.5bn. (about £600m.) instead of only Frs. 1.7bn. as forecast six months ago.

On the investment front, the only bright spot is that of the public sector which, under the continuing impetus of last autumn's reflationary package, is expected to increase its investments by nearly 10 per cent. But private investment, following last year's poor company results which led to a fall in French industry's self-financing rate to 47 per cent. from 75 per cent. in previous years, is likely to drop again by 1.3 per cent. after a fall of 7 per cent. in 1975.

M. Yves Guena, a former Gaullist Minister, has been elected Secretary-General of the Gaullist UDR party in succession to M. André Bord. M. Guena, who held five Ministerial portfolios under General de Gaulle and M. Georges Pompidou, will have the difficult task of preparing his party for the next Parliamentary election in 1978.

Soviet food output down

MOSCOW, April 25

THE SOVIET Union registered a 5 per cent. increase in industrial production in the first quarter of 1976, but produced less meat and milk and failed to meet some consumer goods targets, Pravda said today.

The food industry produced less than in the first three months of 1975 and there was a decrease in the amount of fish available to the Soviet citizen.

Analysts said an exceptionally long and severe winter was partly to blame.

Energy was an area of success, with increases in production of oil and gas condensates, coal and electric power. The steel industry also fulfilled its plan, but production of washing machines, radios and gramophones, cloth, plastics and paper all fell short of their targets. UPI

[...]in [...]ays

[...]Poll suggests [...]ter would beat [...]e election were [...] that Senator [...] President are [...] neck, Jurek [...]m Washington. [...] put Mr. Ford [...]ocrats, and the [...]re within the [...]nherent in any [...]ll. Nonetheless, [...]ke interesting [...] light of next [...]y in Pennsyl- [...]s Mr. Carter [...] Jackson and [...], both of whom, [...]any, have been [...]g as surrogates

Unemployment heads EEC finance agenda

BY DAVID CURRY BRUSSELS, April 25.

COMMON MARKET Finance Ministers meet in Luxembourg to-morrow in an attempt to thrash out at least the outlines of a common approach to the problem of unemployment. They will discuss a European Commission paper on how to bring the economic performances of member States closer together—a document already picked over with a certain fastidiousness at the recent Heads of Government meeting—and some more general ideas on reducing the numbers of jobless in the Community, now put at around 4m.

The meeting takes place at the suggestion of the British Chancellor, Mr. Denis Healey who will once again find himself facing his EEC colleagues in the wake of a dismal performance by sterling in the foreign exchange markets. It is difficult to see anything positive coming out of the meeting in the way of Community action, in the light of Germany's quite clear insistence that economic discipline, like charity, begins at home, and the profound suspicion Bonn will have for any proposals involving spending.

The Commission is preparing a two-tier approach to equalising economic performance across the EEC (it is now repeated parrot-fashion in Brussels that economic divergence is the main Community problem).

Initially it is suggesting laying down common financial disciplines by Governments towards things like budgetary deficits, balance of payments, money creation and incomes policy. It is also floating a rather vague concept of sanctions to be taken against members which break the disciplines—a part of the paper about which Mr. Wilson was more than usually sarcastic at the summit meeting.

Mr. Healey will be meeting his colleagues for the first time since he presented his Budget, with its offer to the unions to trade off incomes restraint for fiscal concessions. He may well wish to use the informal framework of the meeting to brief other Ministers on his view of Britain's prospects in the light of the incomes policy and recent measures to push up interest rates in the defence of sterling.

[...]sts

[...]thern Spanish [...] arrested 54 [...] be Marxists, [...]ay Day disturb- [...] reports from [...] arrests were [...]pain entered a [...], with Prime [...] Arias Navarro [...] timetable for [...] and the Opposi- [...] demonstrations

[...]es

[...]ension following [...]h's signature of [...]al amendment [...]arly resignation [...]rists on to the [...] numbers than [...]nths yesterday, [...] writes. There [...] at the Museum [...] cars from both [...] and Moslem [...] to the other

[...]al districts of [...]shrafiya traded [...] elsewhere the [...]ginning to take

Iran oil talks standstill

BY ROBERT GRAHAM TEHRAN, April 25.

AFTER FOUR days of talks between representatives of the consortium and the National Iranian Oil Company (NIOC) little progress has been made on negotiating a new agreement on investment and offtake. As a result the talks are expected to be adjourned.

The main stumbling block is no longer so much strongly differing positions of the companies and NIOC. Rather the lack of progress stems from the secrecy and the still unfinalised agreements on 100 per cent. take-over by the Saudi Government of Aramco.

NIOC does not want to conclude an agreement before the terms of the Aramco agreement are known. The broad lines of the discussions with the consortium will have certain similar features to the Saudi deal. In particular those whereby the Government puts up all the investments and the companies receive a fee for services in the form of a discount on liftings.

This is the essential part of the new agreement being discussed here. Under the 1973 agreement in which Iran acquired 100 per cent. ownership, the consortium companies agreed to provide 40 per cent. of future investment in return for privileged access to agreed quantities of crude. The consortium began talks in earnest in January on a new agreement arguing that the return on investments was inadequate under the existing arrangements.

At the last meeting in early March the companies are understood to have proposed a fee of 25 cents per barrel under a new services agreement which would include Government responsibility for investments. This year investment would be around $1bn. NIOC rejected this fee as too high. Oil industry sources said that the Aramco fee being discussed could work out at around 13 cents per barrel. The current meetings which began on Wednesday held out the hope of a breakthrough. The consortium brought out their largest team so far, 24-man strong, to cover all the technical, legal and financial aspects. However, informed sources now say that any optimism of a breakthrough was premature and that the agreement must now await the outcome of the Aramco negotiations.

Tunisians held

Libyan troops have ambushed and taken prisoner three unarmed Tunisian soldiers in a border region of southern Tunisia, according to the official news agency, Reuter reports from Tunis. The Tunisian Government has demanded the soldiers' release, the agency said.

Malaysia bombs

Communist geurillas using home-made bombs to-day blew up a stretch of Malaysia's main northern railway line in the State of Perak, Reuter quotes police in West Malaysia.

[...]tary Fund

[...] to set up their [...]und at a confer- [...]ay and Finance [...] open in Rabat [...]ports. Money for [...] provided largely [...]states. Officials [...]main uses would [...]y and agriculture [...]s, to make them [...]on oil earnings.

[...]eport

[...]ongdoing by the [...]network will be [...] report which [...]tors will begin [...] according to [...]ed with their [...] reports from [...]ne sources said [...]eveal the use of [...]e CIA and the [...]andestine opera- [...]not disclose the [...]iduals or their [...]ns.

[...]majors 'in Vietnam talks'

[...]MER NEW YORK, April 25.

[...]umber of U.S., [...]e and British oil [...]e been holding [...] Paris with the [...] Vietnam since [...]ver possible offi- [...]ation and drilling [...]g to this morn- [...]ew York Times. [...] of the U.S. oil [...]h are still banned [...]with Vietnam by [...]al embargo im- [...]g the Communist [...] south, the talks [...] been unofficially [...] U.S. State Depart-

[...] said, quoting a [...]rent "anonymous [...]" that the first [...] held last July [...]Vietcong officials [...]arently appeared [...] allow U.S. com- [...] Later discussions [...]d directly with

[...]e article did not [...] whether the talks [...]vidually or collec- [...]d that companies [...]in, Japan, France [...]merica all held

[...] number of U.S. [...]ch were drilling [...] the Communist [...]ticle claimed that all but Exxon have informed the State Department that they would like to negotiate a return. These companies include Mobil, Shell, Marathon and Cities Service.

Some difficulties arose during the earlier talks over the Vietnamese desire that exploration rights be tied to commitments to build refineries and petro-chemical complexes in the country, but this condition had since been dropped.

Hamish McDonald writes from Jakarta:

The head of South Vietnam's central bank has said his country welcomed help from foreign governments and organisations in its reconstruction.

Mr. Tran Duong, governor of the recently-formed National Bank of Vietnam, was speaking here yesterday in the concluding session of the Asian Development Bank's annual meeting. He announced South Vietnam would continue its ADB membership.

He said Vietnam welcomed all assistance and co-operation from abroad on the basis of equality, mutual advantage and respect for sovereignty. He said the Bank of Tokyo had been the only foreign bank to apply so far to reopen its office in Saigon.

The new government in Laos also sent a delegation to the ADB meeting, but the ADB has been unable to make contact with the new régime in Cambodia.

AP-DJ adds: The ninth meeting of the ADB ended on Saturday with President Shiro Inoue announcing that he expected the total capital of the bank to be increased from $3.6bn. to $7bn. by 1978.

BRISK ELECTIONS

North and South Vietnamese leaders joined millions of voters Sunday in general elections for a common national assembly which will reunite the two halves of Vietnam into a single country Reuter reports from Saigon.

The new 492-seat assembly, which will have no opposition members will also appoint state organs and draw up a new constitution bringing the divided country under one government and parliament.

The polling, five days before the first anniversary of the final victory of the Communists in South Vietnam, was described by Saigon radio as "enthusiastic, jubilant and orderly.

The Executive's and Office World

EDITED BY JOHN ELLIOTT

Quentin Guirdham looks at a Government report which may change plans for regional development

Fresh locations for office workers

WE ARE becoming a nation of office workers. The proportion of us who grow old sitting at desks may not yet seem alarming but the rate of growth, to many observers, is. Between 1951 and 1971, the proportion of the working population in office jobs rose from 16 per cent. to 24 per cent. The 1971 figure is the latest near-accurate assessment available and was based on the census: but the most recent forecasts, carried out by the department of applied economics at Cambridge University, suggest that by 1981 office jobs will make up 30 per cent. of the total.

The growth, says the department, will come mainly from non-clerical jobs such as professional and managerial grades. This is a trend which is already pronounced in what is overwhelmingly the country's largest office centre, London. Professional workers and managers claim bigger offices than typists, so the square footage occupied per head increases as well and is now well up on the old rule of thumb of 100 sq. ft. per person. Its rate of increase has been calculated at 1 per cent. a year. Even in manufacturing industry, more offices are now required. A developer used to reckon on the office content of a factory unit being 10 per cent. of the total space. Now 15 per cent. is around the norm.

Incentives

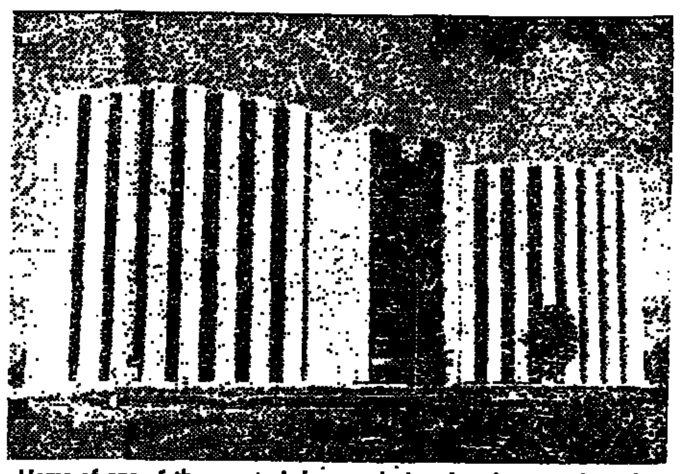
Governments have, historically, been rather slow in trying to plan where this expanding office population should go. Compared with the mass of incentives and disincentives with which successive administrations have directed industry around Britain, there have only been sparse efforts to direct office employers. Local planning regulations have provided a progressively stricter guide over what speculative developers and owner occupiers can construct but it was not until the early 1960s that a national Government worried about which regions were receiving new office blocks.

The problem identified then was London, where a White Paper of 1963 found an increase of 32 per cent. over pre-war office floorspace in the central area. It consequently declared that the growth rate should be checked and that offices should be better distributed in London "and further afield."

The Conservative Government of the time then started to study the possible dispersal of civil service jobs from London and to encourage office centres in the outer suburbs, in New Towns and elsewhere. It set up the Location of Offices Bureau to encourage decentralisation of private sector office employment and tightened the re-building rights on planning controls; but rejected any system of licensing new office building.

But it was not until Labour was elected the following year that a real control system was introduced, based on office development permits, (ODP) which meant that a developer usually had to have a suitable tenant lined up before starting to apply for planning permission. At various times the control system has been extended to cover the Midlands and East Anglia, but its normal, and present, application has been limited to the South East.

The ODP system is, however, only a disincentive to further expansion and its efficiency is arguable. The evidence is that most companies refused ODPs for large blocks have either stayed where they are and not expanded their accommodation, or have obtained a London ODP at the second try or, and even this is a small minority, have simply gone somewhere else in the South East.



Home of one of the country's largest single relocation exercises, the Barclays Bank International building at Poole, Dorset, which is just outside the Office Development Permit limit. Occupied late last year, it will take 1,000 London jobs with 1,500 recruited locally.

The first positive incentive to move general office jobs to the assisted areas did not come until 1973, when a grant of £800 per employee moved with his work was introduced along with a selective grant toward the cost of approved rent in the new location paid for up to three years in intermediate areas and five years in development areas.

How effective these incentives are proving is hard to guess. Only 6 or 7 per cent. of office movement out of London used to go to the assisted areas. There are indications that the level is now rising. But the Government does not see this as a complete answer. Two years ago, it announced that there would be a complete review of national policy objectives in the location of both new offices and shops. This month it both published that review, produced by the Urban Affairs and Commercial Property Directorate under guidance from the main Whitehall Departments, and introduced some consequential measures.

Controls

While, for reasons not wholly explained by the review, it relaxed ODP restrictions from offices of between 10,000 square feet and 15,000 square feet, it also stated that control for larger developments would be applied strictly and that applicants would be required to show that a move to an assisted area was not practical. At the same time, the Government also said it would investigate the merit of altering the ODP system to cut the time involved in a developer having to find an ODP approved tenant before even starting out on the planning permission process.

These steps do not suggest any urgent determination to push more new office jobs out of the South East, but then the present recession, plus its dwindling population, has brought London's political influence into play to protect any jobs, whether in industry or offices, within the capital.

The review does, however, represent the longer-term national policy and is likely to remain the basis for much future planning—especially its central conclusion that, in locational terms, what the Government must try to do is to reduce the office employment disparities between regions.

We all recognise that London is mainly an office centre (70 of the top 100 companies based there, etc) but the extent of its domination is perhaps worth restating.

Using Inland Revenue returns for commercial office floorspace, the review shows that central London alone accounted in 1974 for a quarter of all the office space in England and Wales. The wider Greater London area had 150.7m. square feet of the national total of 397.2m. square feet while the South East as a whole took over half the total stock.

Government policy, the review suggests, should not be aimed at worrying about these detailed floorspace figures but at levelling up the proportion of office occupations in relation to all jobs in a region. It is recognised as impractical, even if it were desirable, to reduce the South East's figure to the national average—at present the South East's figure is 31.2 per cent. of all occupations (London's is 38.3 per cent.), whereas the next region in the table is the North West with only 22.4 per cent.

COMMERCIAL OFFICE FLOORSPACE

	1967 million sq. ft.	1974 million sq. ft.	% increase	1974 % of total space
Northern	12.1	16.0	32	4.0
Yorks. & Humberside	19.8	27.1	37	6.8
East Midlands	11.1	17.0	53	4.3
East Anglia	6.1	9.1	49	2.3
South East	150.2	208.4	39	52.5
South West	14.1	22.0	56	5.5
West Midlands	20.2	27.4	36	6.9
North West	39.4	57.3	46	14.5
Wales	8.6	12.9	50	3.2
England and Wales	281.6	397.2	41	100.0

Figures based on Inland Revenue floorspace returns for England and Wales.

The snag about trying to alter these proportions is fairly simple. To have office jobs one must have offices but British companies tend to rent, rather than own their offices—90 per cent. of space in the City of London is rented for example. The provision of this space is, and will continue to be, largely a private sector function. When the Government does therefore intervene in the property market, and hence in the provision and location of office space, it is attempting something very difficult which, the review suggests, governments have not managed very successfully in the past.

The difficulties, the review points out, lie in the area of demand. It claims that office users have not been well informed about the relative costs of operating in different locations and have not taken them into account. On the supply side, the review says that with the planning and construction of office blocks taking so long, surpluses and shortages can appear quickly and can lead to rapid price changes.

This has been proved dramatically, over the past three years, with the boom and subsequent slump in property values, and what the review terms as "equity" is now a consideration of national office policy to rank alongside better working conditions, economic growth and deployment of resources between rival priorities such as office and house building. With interventions such as ODP controls helping to produce the shortages which in turn produce the startling swings in property values, the review sees this as, perhaps, a counter-argument to present policies:

"The spectacle of unearned and apparently untaxed super-profits has undoubtedly been felt by many as an affront to equity," it declares. "Such profits come within the development gains tax and the proposed development land tax only so far as they are realised in development. Much more important are the gains to owners of existing property. It is the essential of a market mechanism that there will be gains as well as losses, and some people are now suffering losses. But it is plainly for consideration whether particular measures are likely to provide exceptional gains, with which taxation may not effectively or equitably deal."

Restrictions

This political spectre, the same for both parties, of anti-social profits being made from ill-timed restrictions being imposed on office building in the popular areas, must colour all government decisions, even granted the present weakness of most sectors of the property market. The review, however, tends to the conclusion that in London's case, the danger is not what it was: the declining population, with a widening gap between London wages and those in the regions as office employers chase too few staff, will, it feels, lead to a resumption in the steady flow of jobs relocated from central London (perhaps 250,000 of them since 1963).

The chances are, however, that the relocations will only push jobs just outside the South East to Swindon, the review suggests, or to East Anglia or the East Midlands. So the logic is that the "push" instrument, when the Government decides on one, should extend to all non-assisted areas. That would mean encouraging new office jobs beyond Sheffield to the north, or Wales and Plymouth to the West, a revolutionary concept in the direction of office location.

EMPLOYEE BENEFITS

The unknown cost factor

BY NICHOLAS LESLIE

FEW COMPANIES assess the total cost of benefits they provide for employees over and above salaries, according to a report published to-day. At the same time, however, it appears that they are having to become more aware of the individual costs, particularly in the light of pay policies under which increased benefits must be offset against pay rises.

The report, Survey of Employee Benefits 1976, published by management consultants, Hay-MSL, suggests that companies should be assessing the cost-effectiveness of benefits and the feasibility of changing either the selection of benefits or their emphasis.

The work draws on the responses of 90 major U.K. companies employing a total of 1.3m. people. The reason most frequently quoted by companies for having a range of benefits is to improve their competitive position as employers, while well motivated and content employees and good industrial relations are placed second and third in importance. A broad spectrum of benefits is analysed, ranging from bonus payments to loans and assistance with housing. The report states, for example, that in the pensions field the trend continues towards final salary schemes and schemes providing equal benefits for "blue" and "white" collar employees.

Some light is shed on the incidence of those benefits which seem the target for penalisation under the latest Budget proposals of the Chancellor of the Exchequer. Financial assistance for the education of children is provided by 20 per cent. of the companies responding to the questionnaire, but the majority related to cases where the employee was working overseas. Fourteen per cent. of companies operated share incentive schemes and 36 per cent. of 86 reporting companies provided loan facilities with preferential interest rates ranging from nil interest to around 9½ per cent.

No steady pattern emerges about company cars since over the past year 7 per cent. had decreased either the size of cars or number of employees entitled to them, but 10 per cent. widened the net of eligible staff or increased car sizes. Not all cars were entirely "free"—33 per cent. of companies charged employees for private use, normally between £50 and £100 a year for a car of 1,500-2,000 cc engine capacity and between 2p and 3p mileage charge, regardless of car size.

With the Social Security Pensions Act possibly acting as a lever on companies, the number of pensions schemes for "blue" collar workers has increased, and the majority now operate the same scheme as for "white" collar staff, and the overall level of pensions benefit has improved. Of 41 companies which have pensions schemes for manual weekly-paid staff, 28 schemes were the same as operated for monthly paid staff, while of 47 schemes for manual, hourly-paid staff, 30 schemes matched those for monthly paid employees.

The majority of companies — 69 per cent. — have still to decide whether to contract in or out of the earnings-related tier of the Government's pension scheme. Of the remainder, 19 per cent. are proposing to contract out and provide their own occupational scheme, while 12 per cent. plan to link their employees to the Government scheme.

● A further decline in the living standards of British executives is predicted in another survey, Accountancy v. Marketing in Executive Remuneration, published by Lloyd Executive. If there is a 3 per cent. pay increase limit, executives could still suffer a real decline of living standard of 6 per cent. if inflation increased by 10 per cent., even accounting for tax concessions and lower mortgage interest rates.

The survey also found that while demand for accountants is still well below the 1973 peak, they can still command substantial salary advancements once qualified. The median salary for management accountants is £5,400, while at a similar level in marketing a product manager has a median of £5,000, although he is more likely to receive a company car.

Fair opens this week in Hanover

BY ROY LEVINE

A MAJOR event in the office equipment exhibition calendar starts on Wednesday when the Hanover Fair opens in Germany. The fair, which is regarded as the international showpiece for new office products, continues for nine days until May 6.

After a rapid succession of new models of copiers being launched during 1971-73, the pace has now slowed. The newest model is the DB6, launched to-day in the U.K. by Roneo Vickers. It is the company's first copier to use a magnetic dry toner and is designed for high quality reproduction for runs of between 2,000-5,000 copies a month. At £855 (or £25.70 a month rent), it is cheaper than most plain paper copiers.

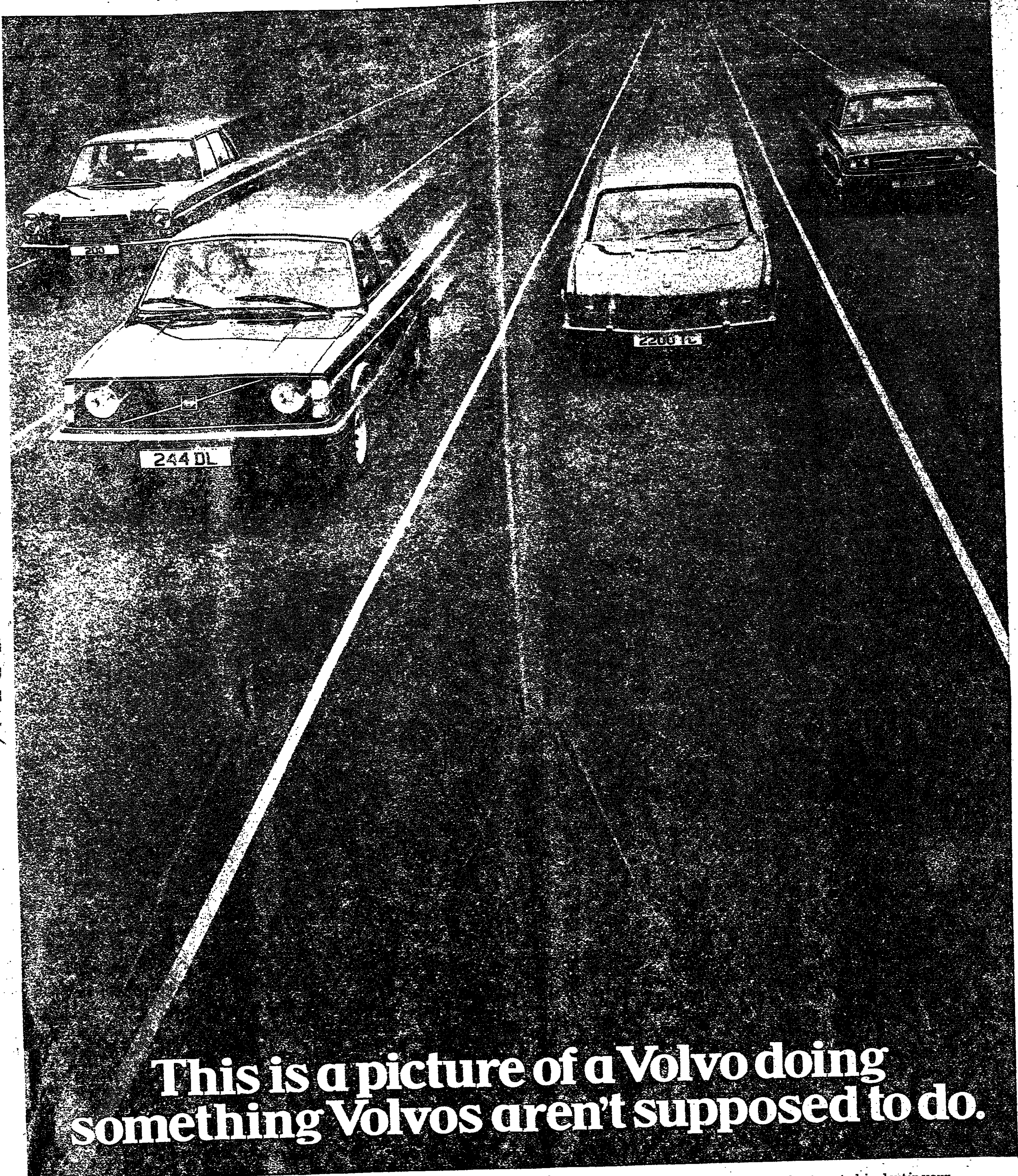
Franking

A sister company, Roneo Newpost, will be showing an electric postal franking machine at Hanover which is much faster than its existing model. Roneo has combined with Singer and will be displaying two Singer franking machines for the very large mailroom as well.

Rank Xerox will not be showing any new equipment, for it is spending its time consolidating marketing programmes for its new products. But some of its U.S. competitors may be exhibiting products for the first time on this side of the Atlantic.

There should be a number of new systems shown at Hanover this year in view of the rapid development of the technology. Europe is catching up quickly with the U.S. and most of the sophisticated systems will become available in Europe over the next few months.

Among the main developments likely over the next few months in the equipment field and which should be reflected at Hanover will be more office computers at cheaper prices for small companies and desk top electronic calculators with printers as well as visual displays. At the bottom end of the calculator market, it would not be surprising to find a number of companies still cutting their prices.



By and large, people don't think of the Volvo 244 as a performance car.

And it's true that some other cars can enjoy a momentary advantage at the traffic lights.

Yet between 30 mph and 50 mph, in top gear, the Volvo 244 DL will out-accelerate most cars in its class.

At 10 seconds it out-performs the Audi 100 LS (13.5 secs), the Rover 2200 TC (10.7 secs) and the Mercedes 200 (12 secs).*

In this way, Volvo give the motorist something more valuable than a Grand Prix start.

Peace. Quiet. Flexibility.

The Volvo 2.1 litre engine is extremely restful. (Motor magazine called it 'quiet and smooth.')

Even in town driving you'll find there's less need to change down to third than with most cars.

And if you ever have to pull a boat or horse-box, the Volvo engine's good low-speed characteristics make it the ideal car.

(Reassuringly, all this is achieved on economy grade petrol.)

In other areas the Volvo is equally aware of the motorist's real needs.

Its specification includes impact absorbing bumpers – so a small knock in the parking lot isn't going to put a big dent in your wallet.

The Volvo driving seat has been designed by orthopaedic specialists and is the only one with a lumbar support control.

Everything is there to make your journey safer and more comfortable, not simply to impress the neighbours.

So if you want a car that's first away from the lights, we couldn't honestly recommend a Volvo.

But if you want peace, comfort and quick overtaking, then the Volvo 244, very obviously, comes into the picture. **VOLVO 244**

*Figures quoted are from What Car? Magazine.

For your free copy of "The Volvo Facts" write to: Volvo Concessionaires Limited, Lancaster Road, Cressex Estate, High Wycombe, Bucks. HP12 3QE. Tel: (0494) 33444.
Export enquiries to: Volvo Concessionaires Ltd, 28 Albemarle Street, London W1X 3FA. Tel: (01) 493 0321.

ENTERTAINMENT GUIDE

OPERA AND BALLET

THEATRES

PETER BLYTHE JILL MELFORD
THE CHAIRMAN
A Comedy by PHILIP MACKIE
"Most enjoyable . . . real delight." D. Tel. "Exemplary farce playing." Xms.

GREENWICH. 858 7755. Prev. Wed. 8.0. Opens Thur. 7.0. Subs. 8.0. Mat. Sat. 2.30. SUSAN HAMPSHIRE, MARTIN SHAW in MISS JULIE.

GREENWOOD. LONDON BRIDGE. Festival du Theatre Francais. Evgs. 8.0. Mat. Sat. 4.30. Replacement for "Surena" is DIDEROT'S "Le Neveu de Rameau". Simultaneous translation. 403 0592.

(Waiting For Godot)
DIRECTED BY SAMUEL BECKETT
In German from the Schiller Theater, Berlin.

ST. MARTIN'S. 836 1443. Evenings 8.00. Mats. Tues. at 2.45. Sat. 5.0 and 8.0. AGATHA CHRISTIE'S THE MOUSETRAP. World's longest-ever run—24th YEAR.

SAVOY. 836 8888. Evenings 8.00. Matinee Weds. at 2.30 and Sat. 5.00. AVRIL ANGERS and DEREK BOND in AGATHA CHRISTIE'S MURDER AT THE VICARAGE

CINEMAS

Daily 2.15. 4.20. 6.35. 8.50.

PRINCE CHARLES Leic. Sq. 437 8181. 2nd Year EMMANUELLE (X). Sep. Perfs. Dly. (inc. Sun.) 2.45. 6.15. 9.00. Late Show Fri. and Sat. 11.45. Seats Bkble.

RITZ Leicester Square 437 1234. DEATH WISH (X). Daily 3.05. 7.00. THE MEAN MACHINE (X). Daily 1.00. 4.56. 8.55.

CINEMAS ARE CONTINUED ON PAGE 36

LABOUR NEWS

Print union leaders to seek closer unity in talks

BY ROY ROGERS, LABOUR CORRESPONDENT

LEADERS of two major printing unions have opened talks aimed at resolving some long-standing differences and possibly paving the way to amalgamation as part of long-term plans to unite all unions into one body for the industry.

With a change of leadership over the past year at the Society of Graphical and Allied Trades; the National Society of Operative Printers, Graphical and Media Personnel; and the National Graphical Association, a new era of co-operation is dawning in an industry which in the past has seen intense inter-union rivalry. The improvement has been greatly assisted by the NGA's return to the TUC recently after an absence of three years.
PEARSE

Conferences

The better relations between the three traditional enemies are demonstrated by the fact that Mr. Joe Wade, the new NGA general secretary, is due to address the SOGAT and Natsopa annual conferences later this year, while Mr. Bill Keys and Mr. Owen O'Brien, general secretaries of SOGAT and Natsopa, are to attend the NGA conference.

Meanwhile, spurred on by the financial crisis facing national newspapers, which now pin their hopes on new technology and greatly reduced manning levels, SOGAT and the NGA have agreed on formulas for resolving two of their main outstanding demarcation disputes.

In London SOGAT and the NGA have been fighting a running demarcation battle over the manning of certain photocomposition and lithographic machinery, especially since SOGAT took over the small Monocasters' union. The two unions have now agreed a statement of intent to erase the friction, and the chances are they will end up with a common union card to cover SOGAT's London Printing Machine Branch, the old Monocasters, and the NGA London Region.

Scottish moves

In Scotland the two unions are discussing ways of resolving similar problems brought about by SOGAT's merger with the Scottish Graphical Association last year.

These developments do not mean, however, that SOGAT and the NGA are anywhere near a merger situation at this stage. They do indicate the complete change in attitudes brought about by the change in personalities and uncertainty caused by computer-based technological revolution due to overtake the national newspaper industry in the next year or two.

Steel men back at Ebbw Vale

PRODUCTION AT the Ebbw Vale steel plant in South Wales began returning to normal yesterday after a five-day strike by more than 900 craftsmen.

About 650 strikers, all members of the Amalgamated Union of Engineering Workers, voted to return at a mass meeting on Saturday and fresh talks are to be held with the British Steel Corporation to-day.

The dispute is over the BSC's refusal to pay for Easter Monday's night shift when a foreman failed to turn up and the management, in accordance with economy measures, could not find a replacement.

Meanwhile, nearly 200 members of the National Union of Blastfurnacemen at the BSC's plant in Corby, Northants., returned to work yesterday after a two-day strike over shift working arrangements.

Post Office 'should sell security'

THE SETTING UP of a security service competing with private security companies could help the Post Office's finances, it is suggested to-day.

The idea comes from the Union of Post Office Workers in evidence to the Carter Review Committee, which is examining the Post Office.

It says there is room for a comprehensive cash carrying service and the operation could also include a system for guarding premises.

This could consist of a surveillance service hooked in on existing TV installations or telephone wiring systems to the nearest 24-hour manned sorting office.

It envisaged ultimately a publicly-owned and accountable Post Office safeguard security service "operating in a competitive way towards the private security organisations that have proliferated in the last two decades on both a multinational and national level."

Members in all branches of the service were trusted each day with the carriage of valuable and private messages and the trust was rarely betrayed.

Other suggestions include:

- An instantaneous collection and delivery service such as that operated by some taxi and mini-cab companies.
- Postmen operating as general carriers in rural areas.
- An extension of the scheme, operated in Scotland, of postal buses.
- A study to see if some work now done by social security offices or town halls could be undertaken at Post Office counters.

The union makes a strong plea for the retention of the two-tier letter system and says the present level of services is the minimum necessary to support a first class letter service.

"We believe that an efficient next-day delivery service is an essential part of the infrastructure of the nation."

It calls for a proper pricing system for letters and rejects the idea of a subsidy for the letter service except in the very last resort. Restoration of Sunday collections is also demanded.

Call for higher fines on low-paying companies

BY IAN HARGREAVES, LABOUR STAFF

HIGHER FINES for employers paying below the minimum rate set by wages councils are among the recommendations in a report published to-day by the Low Pay Unit.

The author, Mr. Steve Winyard, says that even the new maximum fine of £100 set by the Employment Protection Act is an inadequate deterrent. He suggests a maximum fine of ten times the lowest full-time weekly rate set by the wages council concerned.

The report also calls for a substantial strengthening of the wages inspectorate. Firms are only inspected once every 13 to 14 years and with current rates of turnover among wages council firms, 40 per cent. are never inspected at all. Even with this level of inspection, 15,000 employers were found to have committed offences in 1974.

هكذا في الأصل

The Callaghan Government

THE CABINET

:	Mr. James Callaghan (aged 64)
t and Leader of s:	Mr. Michael Foot (62)
r:	Lord Elwyn-Jones (66)
y:	Mr. Roy Jenkins (55)
he Exchequer:	Mr. Denis Healey (58)
Foreign and Commonwealth Affairs:	Mr. Anthony Crosland (57)
Prices and Consumer Protection and Paymaster General:	Mrs. Shirley Williams (45)
Energy:	Mr. A. Wedgwood Benn (51)
Industry	Mr. Eric Varley (43)
he Environment:	Mr. Peter Shore (51)
Defence:	Mr. Roy Mason (52)
Scotland:	Mr. Bruce Millan (48)
Secretary for Wales:	Mr. John Morris (45)
Secretary for Northern Ireland:	Mr. Merlyn Rees (55)
Minister of Agriculture, Fisheries and Food:	Mr. Frederick Peart (61)
Secretary for Employment:	Mr. Albert Booth (47)
Secretary for Trade:	Mr. Edmund Dell (54)
Secretary for Social Services:	Mr. David Ennals (53)
Chancellor of the Duchy of Lancaster:	Mr. Harold Lever (62)
Lord Privy Seal:	Lord Shepherd (57)
Secretary for Education and Science:	Mr. Frederick Mulley (57)
Minister for Overseas Development:	Mr. Reginald Prentice (52)
Minister for Planning and Local Government:	Mr. John Silkin (53)

OTHER MINISTERS

Agriculture, Fisheries and Food

ate:	Mr. Edward Bishop (56)
Secretary:	Mr. Gavin Strang (33)

Civil Service Department

ate:	Mr. Charles Morris (50)

Defence

ate:	Mr. William Rodgers (48)
y for the Royal	*Mr. Patrick Duffy (55)*
ry for the Army:	Mr. Robert Brown (55)
ry for the Royal	Mr. James Wellbeloved (49)

Education and Science

ate:	*Mr. Gerald Fowler (41)*
	Lord Donaldson of Kingsbridge (69)
ry:	Miss Margaret Jackson (38)

Employment

ate:	Mr. Harold Walker (48)
ies:	Mr. John Golding (45)
	Mr. John Grant (43)

Energy

ate:	Dr. J. Dickson Mabon (50)
ies:	Mr. Alex Eadie (56)
	Mr. Gordon Oakes (44)

Environment

lanning and nment:	Mr. John Silkin (53)
Transport:	Mr. John Gilbert (49)
Housing and :	Mr. Reginald Freeson (50)
port and	Mr. Denis Howell (53)
ies:	Lady Birk
	Mr. Ernest Armstrong (61)
	Mr. Kenneth Marks (56)
	Mr. Guy Barnett (46)

Foreign and Commonwealth Affairs

ate:	Mr. Roy Hattersley (43)
	Lord Goronwy-Roberts (63)
	Mr. Edward Rowlands (36)
ies:	Mr. Evan Luard (49)
	Mr. John Tomlinson (37)

Health and Social Security

tate:	Dr. David Owens (38)
y for the	Mr. Stanley Orme (53)
	Mr. Alfred Morris (48)
y:	Mr. Eric Deakins (43)

Home Office

ate:	Lord Harris of Greenwich (46)
	Mr. Brynmor John (41)
y:	Dr. Shirley Summerskill (45)

Industry

ate:	Mr. Gerald Kaufman (46)
	Mr. Alan Williams (45)
ies:	Lord Melchett (28)
	Mr. Leslie Huckfield (34)

Law Officers' Department

Attorney General:	Mr. Samuel Silkin (58)
Solicitor General:	Mr. Peter Archer (50)
Parliamentary Secretary:	*Mr. Arthur Davidson (47)*

Lord Advocate's Department

Lord Advocate:	Mr. Ronald King Murray (53)
Solicitor-General for Scotland:	Mr. John McCluskey (62)

Northern Ireland Office

Ministers of State:	Mr. Roland Moyle (48)
	Mr. Don Concannon (45)
Under-Secretaries:	Mr. James Dunn (50)
	Mr. Raymond Carter (40)

Overseas Development

Parliamentary Secretary:	Mr. Frank Judd (41)

Prices and Consumer Protection

Minister of State:	Mr. John Fraser (41)
Under-Secretary:	Mr. Robert Maclennan (39)

Privy Council Office

Minister of State:	Mr. John Smith (37)
Parliamentary Secretary:	Mr. William Price (41)

Scotland

Ministers of State:	Lord Kirkhill (46)
	Mr. Gregor Mackenzie (48)
Under-Secretaries:	Mr. Hugh Brown (57)
	Mr. Harry Ewing (45)
	Mr. Frank McElhone (47)

Trade

Under-Secretaries:	Mr. Clinton Davis (48)
	Mr. Michael Meacher (36)

Treasury

Chief Secretary:	Mr. Joel Barnet (52)
Financial Secretary:	Mr. Robert Sheldon (52)
Minister of State:	Mr. Denzil Davies (37)

Wales

Under-Secretaries:	Barry Jones (38)
	Mr. Alec Jones (51)

Whips Office

Commons Chief Whip:	Mr. Michael Cocks (46)
Deputy Chief Whip:	Mr. Walter Harrison (55)
Whips:	Mr. Donald Coleman (50)
	Mr. John Dormand (56)
	Mr. Thomas Pendry (41)
	Mr. David Stoddart (50)
	Mr. Edward Graham (51)
Assistant Whips:	Mr. Thomas Cox (46)
	Mr. John Ellis (46)
	Mr. Peter Snape (34)
	Mr. Albert Stallard (54)
	Mr. Alfred Bates (31)
	Mr. Frank White (36)
Lords Whips:	Lady Llewelyn Davies (60)
	Lord Strabolgi (61)
	Lord Jacques (71)
	Lord Wells-Pestell (66)
	Lord Winterbottom (63)
	Lady Stedman (59)
	Lord Oram (62)

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

THURSDAY, APRIL 29
COMPANY MEETINGS—

FRIDAY, APRIL 30
COMPANY MEETINGS—

SATURDAY, MAY 1
DIVIDEND & INTEREST PAYMENTS—

Transatlantic Market Tst 19.59p
Triplevest Income Shs. 1.645p
Tronoh Mines 2.649p
Troman Db. 2pc
Trust Houses Forte Db. Stks. 3.125 (84-89), 3.125 (85-90) 3.625 (86-91) 5.25pc (91-96), Ln. Stk. 4.56pc
Turner Curzon Ln. 8pc
Ultramar Ln. 3½pc
Unochrome Intnl. 0.2p
Valor 5¼pcPf. 2.625pc
Waverly Cameron 6pcPf 2.1pc
Westminster and Country Props. Ln. 89-94 4pc
Westpool Inv Tst. Ln. 2½pc

THE JOBS COLUMN

Agriculture chief . . .

BY MICHAEL DIXON

NUMEROUS JOBS are seeking J.C. readers this week

The first is a major appointment in agriculture. It is for a director to head the new supplies division, based in London, of Agricultural Co-operation and Marketing Services.

This organisation forms a link between farmer-owned co-operatives in the United Kingdom and the National Farmers Union. The new director will be concerned with helping in the development of businesses supplying farmers and growers. There will be considerable travel about the U.K. and—not least because the job includes involvement with the EEC—in Europe.

So skill in a European language would help. But the essential is demonstrable success as a manager in agricultural trading, probably with a merchanting concern or a co-operative.

Salary about £12,000. Car. Inquiries to David Upton of Agro Management Consultants, 692, Warwick Road, Solihull, West Midlands B91 3DX—telephone 021-704 1338.

SOMEONE aged roughly 40-55 is wanted to become director-general of the British Textile Employers' Association in good old Manchester, tha knows. He shouldna clem t'death, for t'wage is nigh on £10,000, wi a car an all.

The BTEA works as both a trade association and employers' organisation within the cotton, man-made and allied fibres industry, negotiating wages and conditions, and also representing its members' interests to Government, the EEC, and other international bodies.

Responsible to the association's central committee, the newcomer will advise on policy and supervise the running and development of services to members and ensure effective communications with them and with union representatives.

But since the director-general acts as spokesman, experience of presenting viewpoints to government departments, other official bodies, and the Press is an important qualification.

This, and other appropriate senior experience, might have been won in the textile industry or a trade organisation elsewhere. Inquiries to John Todd of PA Management Consultants, Hyde Park House, 60a Knightsbridge, London SW1X 7LE—telephone 01-235 6060.

PETER BROWN is head of Synergy Holdings which, as well as helping to operate the Reward personnel service whose salary survey figures from time to time in this column, has businesses in computer systems, distribution consultancy, and yacht-building. He is looking for a versatile financial director upon whom the dust never settles.

Feeling that the group could not afford to employ the person it needs full-time, he is thinking of two or three days a week, and benefits of between £3,000 and £6,000 a year. The group's base is Bancroft Court, Hitchin, Herts SG5 1LW—telephone 0462 54331. Inquiries to Mr. Brown thereat.

NOW half a dozen jobs for oil-persons with the Petroleum Engineering Directorate, which heads the Government's involvement in North Sea oil and gas, and is concerned with all aspects of search and development. Degree or equivalent plus appropriate experience deemed necessary.

The first four are in the directorate's evaluation and conservation group which monitors the findings and approves the production plans of operating companies. All are based in London.

There's £7,685-£8,500 for a head of the geophysical section responsible for advising on all geophysical exploration techniques, including the interpretation of seismic, magnetic and gravity surveys.

There is £5,970-£7,300 for a geophysicist advising, and £4,570-£5,970 for another assisting on appropriate matters, both of whom will be dealing with geophysical interpretations of seismic surveys.

There is £4,570-£5,970 for a log analyst, whose tasks will include analysing electric and other logs run in oil or gas wells.

The remaining two are with the directorate's operations and safety group.

A petroleum production inspector is wanted to see that the Department of Energy gets full information on the progress of North Sea search and production, as well as to advise on the drilling and completion of wells and so forth. Base London. £5,970-£7,300.

Glasgow will be the base of the metering inspector wanted to monitor the metering of oil and gas condensate and cryogenic liquids at royalty metering stations both on-shore and off. £4,100-£5,500.

Inquiries, reference T/9280, to the Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1JB—telephone Basingstoke 68551, or, for answering service, 01-839 1992. Closing date for applications June 1.

The same address, but reference G(1)576, for inquiries about an unspecified number of openings for experienced lawyers, normally aged under 40, in the Government Legal Service in London. (I thought the Civil Service was supposed to be cutting down on staff.)

Starting salary at age 23 £4,485, at 32 or over £5,800, promotion possible to £18,675. (Yes, really!) Closing date May 20.

APPOINTMENTS

Guinness subsidiary new chairman

Mr. Peter Guinness has been appointed chairman of the Guinness subsidiary companies G.P.G. HOLDINGS and MORISON SON AND JONES INTERNATIONAL. He succeeds Sir Richard Levinge, who is retiring after 41 years with Arthur Guinness.

★

Mr. R. H. Wardle has been appointed to the Board of directors of MILLS SCAFFOLD COMPANY (part of the GKN Building Supplies and Services Sub-Group). Previously marketing and planning manager for Mills, his Board responsibilities will continue to be in these two management areas.

★

In the manufacturing division of WARD WHITE GROUP, Mr. Tom Worswick has been appointed to the Board of LORD AND SHARMAN and HIGH PEAK SHOES, and will act as director in charge of both companies. In the distribution division, Mr. Peter Calder has been appointed managing director, BRITTON OF U.K., in succession to Mr. Worswick. Mr. Eric Reid becomes product development manager for Britton of U.K. At PROTECTIVE FOOTWEAR SERVICE, Mr. George Banfield is appointed managing director in place of Mr. Calder while Mr. Geoffrey Smith becomes field sales manager.

★

Mr. J. Ross Stainton has been appointed Chairman of International Aeradio Limited (IAL), the London-based aviation and communications group. He succeeds Mr. Derek H. Glover who has retired.

Mr. Stainton (62) is Deputy Managing Director of British Airways and Chief Executive of its Overseas Division. He is also Chairman of British Airways Travel Division.

★

Mr. John Harrison has been appointed assistant managing director of WALSALL CONDUITS.

★

Mr. M. J. Seales has resigned from the Board of BARAOORA TEA HOLDINGS, and Mr. W. Lamond has been appointed a director.

★

Mr. J. D. Paulson-Ellis has been appointed a director of stockbrokers, VICKERS, DA COSTA.

★

Mr. Graham Hall has been appointed Sales Manager for industrial and marine engines at SCANIA (GREAT BRITAIN). He succeeds Mr. Harold Seviour who retired in February.

★

As part of a major reorganisation of FORMTECNIC MACHINE TOOLS, Mr. C. L. Packham has been appointed director and general manager and Mr. P. H. Palmer has become a director. In addition, Mr. I. C. Brown has been appointed customer service and liaison manager

★

Mr. F. J. A. Mangeot, the financial director of MARCONI-ELLIOTT AVIONIC SYSTEMS (a GEC-Marconi Electronics company), has retired on reaching the age of 65. His successor, Mr. D. C. Rickard, officially took up the position on January 1.

INSURANCE

Avoiding under-insura

BY OUR INSURANCE CORRESPONDENT

SO LONG as inflation continues, the practice of charging a rate per cent. on the value of the property at risk must continue to pose problems for both insurers and policyholders to try and find the best way of avoiding under-insurance. In the inflationary cycle, we experienced in the last few years and from which we are still suffering, annual revision of sums insured for all material damage risks (fire, perils, crime loss and so on) has to a considerable degree been the only course, both in the commercial and domestic sectors.

In the domestic sector, the problem of under-insurance has become more acute partly because of the increasing incidence of claims, particularly in respect of crime losses, but principally because it is very easy for the household policyholder, perhaps inadvertently but more likely deliberately, to ignore for several years the need to uplift his sums insured.

With no average clause in its household policies, the company market has been increasingly concerned in finding ways of ensuring a greater flow of premium adequate to meet the higher cost of claims. In the last few months several companies have come up with indexation of insured values and claims as the answer, with the rate per cent. of premium remaining constant from one year to the next.

In the past few weeks Northern Star has come up with the abolition of value as a rating factor as a solution to the domestic under-insurance problem. Premium is charged according to the floor area of the home, ignoring any garage. The premium steps are related to every 100 square feet of floor area, any measurement between any 100 square feet step and the next being taken as the higher. For example, the householder with 1,025 square feet of floor space pays premium on 1,100 square feet.

It is much easier for the householder to measure floor space than to estimate accurately the likely cost of reconstruction during year.

Most of us, w to tape measur ably gauge dom with no more tha margin of error. that some pro holders may n quantify their space, insurers charge premium number of roon by using a simp vert rooms to sq six rooms are d square feet an 1,200 square fee

Other insurers sidered this kind most have hel because floor spa several factors cost of recons factors are whet detached or not bungalow or two whether it is of tion or whether heating. Floor s ignores any vari ing costs due location of the particular situa terrain.

Whatever the arguably they a and roundabouts Star has settled rating and has hold the premi lished for the r A revision upwa have to be made this year's chan of building mate From this aspe putting themsel kind of posit insurers.

So long as inf Northern Star wi building costs ar mium levels at or perhaps m Cover is provid instatement has that the househo home restored w for wear and t tion.

Insurers also care of inflation the year of insu ing the period if this extends always to the p increase in buil out to be more in the policy per age is measured Cost Index pr Royal Institutio Surveyors) the holder must bea of the excess of

Like indexati values, this new relieves the hou burden and anxie the insured valu transfers to insu lem of getting correct. But it the householde kind of policy have to resign increases at each

Spillers launch new pet food in Canada

SPILLERS FOODS is moving into the £90m. Canadian pet food market in what it calls its "first serious venture outside Europe." Spearheading the move is Spratt's Total Diet — a "semi-dry" dog food developed in Britain and manufactured in a new Toronto factory by Spratt's Pet Foods Canada, a company set up in 1975 in partnership with Canada Packers, one of Canada's largest food companies.

"International development into new markets will play an increasingly important part in our company's expansion during the next decade" said Mr. Derrick Hornby, chairman of Spillers Foods.

The launch will be supported by a large advertising campaign, mainly on television. Total Diet is expected to achieve a multi-million dollar turnover by 1977.

North Sea 'is not piggy bank of fuel'

ENVIRONMENTALISTS staging a protest rally at the week-end outside the Windscale atomic energy complex in Cumbria were told by a nuclear expert that Britain could not afford to treat North Sea oil as a "private piggy bank of fuel."

Mr. Len Brookes, the U.K. Atomic Energy Authority's economic adviser said that if Britain tried to eke out North Sea fuel as long as possible "we shall be condemning ourselves to a future of high cost and to a high level of overseas debt that would keep our economy perpetually in low gear."

Without nuclear fuel there was no guarantee of meeting reasonable economic expectations over the next 25 years, he told the Friends of the Earth demonstrators.

Aerospace Board attacked

THE BOARD of the new nationalised aerospace industry was criticised yesterday by Mr. Ewen McEwen, president-elect of the Institution of Mechanical Engineers.

"The Government is consulting management and trade unions but completely ignoring professional engineers who are the lifeblood of the aerospace industry," he said.

"For far too long government has looked upon the professional institutions in this country as closed castes of mandarins and fails to recognise the contribution they can make to the viability of industry."

CONTRACTS

Y. J. Lovell awarded £3.1m. housing work

Y. J. LOVELL (LONDON) has won four contracts totalling £3.1m. At Brighton Hill, Basingstoke, the company is erecting 180 dwellings for the North British Housing Association at a cost of £1,377,400. Also at Basingstoke, Lovell is erecting 55 units for the Hanover Housing Association at a cost of £404,837. At Horley, Surrey, the £971,655 contract is for a development of 85 dwellings for the Gatwick Airport Housing Association. The fourth order is a three-storey block of 12 flats at Durham Road, Wimbledon, for the WPHT Housing Association at a cost of £154,598.

... M. DOUGLAS CONSTRUCTION ... to start the first stage of an amenities block for Teesside Polytechnic (Cleveland County Council) early in May. The three-storey building will have a reinforced concrete and structural steel frame and glass reinforced plastics cladding. Value of the contract is £995,000. The company is also undertaking the first phase of the Cinnamon Brow major roads project for Warrington Development Corporation (£858,000) and a retraining centre at Reading for the Property Services Agency (£825,000). Other projects are reconstruction work at Longbridge for British Leyland, a hammer shop at Cannock for Abbey Dropforgings, offices at Orpington for Townsend Thoresen Properties and an animal house for the University College of Swansea. Total value of all contracts is £3.8m.

★

J. T. PARSONS, the south western subsidiary of Rush and Tomkins, has won contracts totalling more than £1.2m. At Bristol, 30 flats, a common room and warden's flat are to be built for HSM Housing Association (Fair Rent); for Devon Council a new Middle School is to be built at Foxhayes, Exeter; a school at Lordshill, Southampton, is to be built for Hampshire County Council; at Bournemouth, for the GLC, 26 flats in three two-storey blocks; and flats for the elderly at Chippenham for the Third Collingwood Housing Association.

★

SERVOIL, Aberdeen, a subsidiary of James Finlay and Co., has been awarded two steel fabrication contracts worth in total £600,000. They are from Howard Doris, for fabrication of support steelwork for the Ninian master platform now under construction at Loch Kishorn; and from Sub Sea International for the fabrication of steelwork for a ship mounted diving system.

★

FREDERICK COYLE AND CO., part of the Walter Lawrence Group, has won a contract worth more than £479,000 involving the design and construction of a flight catering unit at Heathrow Airport for Scandinavian Airlines.

★

SIGMUND PULSOMETER PUMPS has received a contract worth almost £300,000 from Marathon Petroleum Ireland for eight pumps and two control panels to be installed on two gas production platforms in the Celtic Sea.

★

GEC ELECTRICAL PROJECTS Limited has won an order worth about £200,000 from Vickers for the design, supply and commissioning of electrical equipment for two container cranes. These are for the British Transport Docks Board and will be used at its Southampton container terminal.

★

PYE GROUP, through Pye Business Communications and Pye Telecommunications, are involved in the modernisation programme to be carried out on the Glasgow Underground by the Greater Glasgow Passenger Transport Executive. Contracts won by both companies total about £166,000. Pye Telecommunications is supplying a VHF radio-telephone system to provide communication between train drivers and central control, radio telephones and public address equipment. Pye Business Communications will install a 200-line private automatic exchange (PAX) of the UP450 type, which will give private telephone communication throughout the underground network.

★

MARRYAT HANDLING, part of the Sime Darby Group, has been awarded orders worth more than £120,000 for automatic palletising equipment from Burmah Castrol, Mars Confectionery and Shell Oil.

★

BALFOUR BEATTY, a BICC company, has won an order from Technology for Communications International for the supply and erection of an 185 metre (600 feet) mast radiator for NATO communications, at the Department of the Environment's WT station near Crimond, Aberdeenshire.

★

VICKERS automated systems division, Swindon, has received a contract worth more than £500,000 to supply an automated storage and retrieval system to IBM United Kingdom, Greenock, who co-operated with Vickers' engineers in the design of a system to meet the needs of their small-parts store.

BANKING APPOINTMENTS

JONATHAN WREN BANKING APPOINTMENTS

The personnel consultancy dealing exclusively with the banking profession

UNIT TRUST £5,500+

A research and administration assistant, aged 25-30, is sought for the unit trust division of a major merchant bank. The prime qualifications for the job are experience in investment research; approx. 5 years' background experience in unit trust administration and investment; and understanding of money market operations and accountancy. An economics degree would be an advantage. This is a demanding position which will prove an excellent basis for career development in a professional environment.
Contact: Kenneth Anderson (Director)

F.X. ADMINISTRATION £ negot.

An international bank's expansion programme creates an opportunity for a person aged 25/27 with several years' experience in F.X. instructions, settlements, reconciliations and positions.

F.X. DEALER to £6,500

An international bank seeks an F.X. Dealer in his or her mid-twenties with at least four years' experience in an active dealing room of a major bank. Applicants should have good presentation and track record, and be able to demonstrate through technical proficiency and discipline. Ambitious dealers will consider this an outstanding opportunity. *Contact: Leslie Squires*

COMPUTER PROGRAMMER £ neg.

An international bank seeks a computer programmer aged c. 21-25. Applicants should preferably have knowledge of ICL 1901T with EDS 60. Communications systems under George 2, mini computers with display units and one year's experience of Cobol using disc systems, but other relevant experience would be considered *Contact: Leslie Squires*

JONATHAN WREN & CO. LTD. 15 FISH ST. HILL, LONDON, EC3R 6BP
TEL: 01-623 5051

DOCUMENTARY CR II ITS

Senior Clerk required by bank in E.C.2 district. Must be well experienced. Retired person considered. Salary to be negotiated. Applications will be treated as confidential. Write fully to Box A.5532, Financial Times, 10, Cannon Street. EC4P 4BY.

DEALER

Foreign exchange and money market dealer required. Good experience essential. Position may well suit recently retired person. Salary negotiable, LV's.
Applications to Box A.5533.
Financial Times, 10, Cannon Street, EC4P 4BY.

COMPANY NOTICES

JARDINE, MATHESON & CO., LIMITED

Notice to the holders of outstanding warrants to subscribe for Stock Units of Jardine, Matheson and Co., Limited issued by the Bank of Bermuda Limited, as depositary, on 15th November, 1971.

NOTICE IS HEREBY GIVEN pursuant to clause 4(a) of the terms and conditions endorsed upon the warrants that:

1. The following is a resolution to be put at an Extraordinary General Meeting of the members of Jardine, Matheson and Co., Limited to be held in Hong Kong on Monday, 14th June, 1976:

"That the sum of HK$111,166,593 or, if there has been any increase in the issued capital of the company beyond HK$111,665,930 by reason of the exercise on or before 30th April 1976 of any of the Company's warrants dated 15th November, 1971, a sum equal to one-tenth of the issued capital of the Company as at 3rd May, 1976 be capitalised out of reserves and applied in paying up in full unissued ordinary shares of HK$5.00 each of the Company such ordinary shares to be issued fully paid and allotted, as capital and not as income, to those persons who on 3rd May, 1976, were, or were entitled to be, registered as the holders of the then issued ordinary stock, in the proportion of one such ordinary share for every ten ordinary Stock Units held on that date and so that such ordinary shares shall (save for any dividend declared prior hereto) rank pari passu with the existing issued ordinary Stock Units of the Company. Fractional parts of shares so issued shall be allotted to trustees, sold and the proceeds remitted to the members entitled thereto."

2. At a meeting of the Board of Directors of Jardine, Matheson and Co., Limited held on 13th April, 1976, it was resolved that a final dividend of HK$0.45 per Stock Unit be paid on 28th June, 1976 to Stockholders entitled to be registered as the holders thereof on the 3rd May, 1976. The dividend will be satisfied by the issue of new Stock Units at market value with an equivalent cash alternative at stockholders' option. In order to preserve the Company's Stock Units as authorised investments under the trustee ordinance, it is proposed that part of the final dividend (namely HK$0.01 per ordinary Stock Unit) will be paid in cash form to all Stockholders whether or not they make an election.

3. The "record date" shall be 30th April, 1976. No holder exercising his warrant after the record date will be entitled to participate in the bonus issue of shares or final dividend declared as above.

4. As soon after the holding of the above members' meeting as practicable, a notice will be published disclosing the adjusted subscription price payable per Stock Unit in accordance with clause 5(vi) of the terms and conditions endorsed on the warrants. Such adjusted price will be applied retroactively in calculating the number of Stock Units to which a warrant holder is entitled if he exercises his warrant(s) on or after 1st May 1976.

By Order of the Board,
K. W. Young,
Company Secretary.

Hong Kong 20th April, 1976.

COMPANY NOTICES

COMPAGNIE FINANCIERE DE SUEZ

Société Anonyme registered in France with a capital of Frs. 841,918,800
Registered Office:
1, rue d'Astorg, 75008 Paris.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of Compagnie Financière de Suez will be held at the Grand Auditorium du Palais des Congrès, Centre International de Paris, 2 place de la Porte Maillot, 75017 Paris, on Tuesday, May 25, 1976, at 3 p.m., for the following purposes:

1. To approve:
—the Report of the Directors;
—Balance Sheet as at December 31, 1975;
—Accounts for financial year 1975.
2. To allocate profits.
3. To vote on the Special Report of the Auditors.
4. Board of Directors
—To re-elect two Directors
5. To delegate powers regarding publication of documents and compliance with formalities.

Only members holding at least five shares may take part in this Meeting, subject to the right of holders of fewer shares to combine their holdings (Art. 41 of Articles). An attendance allowance of Frs.20 will be granted to each shareholder present.

Attention is called to the fact that none but persons qualified to attend a meeting may act as proxy for shareholders at that meeting (Art. 34 of Articles).

Shareholders may be represented by their spouse (Art. 161 of the Act of July 24, 1966).

Holders of registered share certificates will receive direct from Compagnie Financière de Suez the forms required to attend this Meeting or be represented thereat.

Joint owners are required to appoint one of themselves to deal on their behalf with the Company and the person so appointed shall be regarded as the owner.

In accordance with the requirements of Article 163 of the Act of July 24, 1966 and of Art. 15 of the Articles, persons beneficially entitled to the income from shares are called to this Annual General Meeting.

To have the right to attend or be represented at this Meeting, holders of registered share certificates must be entered on the Company's Registers at least five days before the date of the Meeting, and holders of share warrants to bearer must deposit either their securities, or the certificate of deposit of these securities, at the Registered Office of the Company, or with Banque de l'Indochine et de Suez, Securities Department, 62-64 Bishopsgate, London EC2N 4AR, also at least five days before the date of the Meeting.

Within the same time limit of five days at least before the date of the Meeting, proxy papers must be lodged with the Company by shareholders unable to attend the Meeting but wishing to be represented thereat (Art. 34 of Articles).

Shareholders who intend to be present at this Meeting are requested to notify the Company's Registered Office as soon as possible, but at least five days before the date of the Meeting.

BY ORDER OF THE BOARD.

LONDON AND MANCHESTER ASSURANCE COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Share Transfer Books of the Company will be closed from the 3rd to the 17th May 1976 both dates inclusive.

Transfers should be lodged with the Company's Registrars Spain Brothers & Company at Olwen House Quarry Hill Road Tonbridge Kent by 4.00 p.m. on the 30th April 1976

By Order of the Board
J. M. D. COOPER
Secretary

26th April, 1976.

LEGAL NOTICES

No. 001316 of 1976

In the HIGH COURT OF JUSTICE, Chancery Division Companies Court. In the Matter of RONHEATH LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 14th day of April 1976 presented to the said Court by MIRROR GROUP NEWSPAPERS LIMITED whose registered office is situate at Holborn Circus, London, E.C.1, in the City of London, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 17th day of May 1976, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

Wm. F. PRIOR & CO.,
(Ref: PO),
Temple Bar House,
23-28 Fleet Street,
London, EC4Y 1AA.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 14th day of May 1976.

No. 001186 of 1976.

In the HIGH COURT OF JUSTICE, Chancery Division Companies Court. In the Matter of EDUCATION SCIENCES LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 5th day of April 1976, presented to the said Court by ARTHUR ANDERSEN & CO. (suing as a firm) whose principal office is situate at St. Alphage House, 2 Fore Street, London, EC2Y 5DD Accountants, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 10th day of May 1976, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

FIELD FISHER & MARTINEAU,
Lincoln House,
296/302 High Holborn,
London, WC1V 7JL.
(Ref: PP/RHH/F.12470).
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 7th day of May 1976.

PERSONAL

AIR CALL—the Bleeper people get you when you're needed city wide. Ring 01-834 9000.

هكذا من الأصل

IN VALUE OF POUND MAY BOOST EXPORTS BUT . . .

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DUSTRIAL AND FOREIGN STAFFS

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EMI points out too that many of the products it is selling in the U.S. market also contain U.S. parts and therefore pricing policy is affected by parts and assembly costs. This leaves the company with less room for basing its pricing policy around the change in the value of the pound.

British Leyland also suggested that so far the depreciation of sterling has not caught up with the U.K. inflation rate and therefore the company has no room with which to reduce prices.

The company had absorbed some of the U.K. cost increases in order to hold prices steady adding that the depreciation of sterling should assist it in continuing to try to restrict price increases for its products.

IN FRANCE British companies do not, for the most part, have any intention of cutting their prices after the latest sharp drop in sterling. The main problem, in many sectors is anyway one of delivery and not of price, where British goods are already extremely competitive.

Inflation

It is also emphasised that exporters must take account of *domestic U.K. inflation which is* wiping out part—though not all—of the additional edge afforded by the decline in the value of the pound.

British Leyland pointed out that in the past it has never cut prices when sterling has fallen, and it was unlikely that it would be any different after the recent drop. At the most, it might mean that subsequent price increases might be delayed. At present, in any case, top selling models here like the Mini are already highly competitive.

A similar view came from ICI. An official said that the group's French prices were competitive and that they generally kept in line with the overall market level.

The cheaper pound, however, would mean greater margins. From Marks and Spencer, which opened a Paris store in February, 1975, the reaction was more cautious. The company could not comment on future policy but pointed out that in the past the group had adjusted some *prices downwards in line with* sterling.

IN WEST GERMANY too the sales subsidiaries of British companies appear to have decided to maintain their Deutschemark prices despite the fast fall in the value of the pound.

The subsidiary companies of both GEC and ICI pointed out that the falling pound inflated *the price of the imported inputs* of their parent companies and that the shift in the pound-Deutschemark parity was chiefly a correction for the inflation *differential between Britain and* Germany.

Thus from a cost point of view it would be wrong to fix sterling prices in the German market. If *preserving stable Deutschemark* prices helped to preserve the sales margins of the group as a whole, this was desirable at a time of profit squeeze in British industry.

Herr Fernand Weiland, the manager of Lucas Service GMBH, also stressed that the chief value of the pound's fall was that it *compensated for the rising prices* being asked by the British parent company.

Yet he conceded that the recent sharp decline might have been an over-correction and that it would increase his margins. He said that he would use this leeway to make bigger return on the sale of complicated, non-price-sensitive equipment, but would probably cut prices of products like batteries in which competitiveness was more important.

Mr. F. J. K. Hillebrandt, finance director of ICI, said: "Looking at it from the U.K. end of our business the fall in the value of the pound puts up the prices of imported commodities and therefore increases our *raw material costs*. For example we are particularly concerned about the rising price of naphtha.

Attractive

"On the other hand it makes our exports that much more competitive and, providing inflation of costs is controlled, should stimulate exports at a time when world demand is picking up.

"Looking at ICI as a world-wide group the lower pound means that our profits are improving when measured in sterling and that is one of our strengths arising from the spread of our business.

"However, many British concerns may be dependent upon the reputation of Britain in fund-raising operations overseas. In that connection the fall in sterling is damaging to us on the international scene."

Sir Monty Finniston, chairman *of the British Steel Corporation*, said: "The old adage about swings and roundabouts best sums up the BSC's position. With an improving world steel market and the trade pick-up going on overseas first, the drop in the pound's price is giving considerable stimulus to our exporting efforts.

"BSC is now able to launch and is launching a sales campaign *in attractive overseas* markets. An example is Iran. There is also a bonus for BSC from the converse effect of the pound's fall upon our *international competitors. The U.K.* market is now much less attractive for them.

"However, the BSC, which has a favourable balance of *trade of more than £200m.* for both visible and non-visible trade, is spending more than £300m. during the current financial year on importing raw *material. That sum must rise as* a consequence of the fall in the pound."

Mr. Barrie Heath, chairman of GKN, said that the company could achieve better margins in export markets given the tight price controls in the U.K., and GKN has achieved a steady improvement overseas.

Devaluation is only one of a number of factors influencing export sales, the company says. In the motor components business there is a long lead time before achieving sales, and *delivery times and quality are of* prime importance. Final prices are also highly dependent on labour rates, because of the high labour input for many components.

Mr. Hughie Cownie, economic director of the Society of Motor Manufacturers and Traders, said that the Society was becoming increasingly concerned that the helpful short-term impact of devaluation was beginning to wear off. The improvement in the world economy was pushing up raw material prices, and this was *introducing a damaging inflation*ary element into British industry.

Nevertheless the SMMT expects to see component exports *increase from £1.14bn. in 1975 to* £1.43bn. this year, an increase of 25 per cent. as against 33 per cent. last year.

Mr. R. Aldred, chairman of Taylor Woodrow International, said it was his company's view that the fall in the pound would have little benefit for British companies in the overseas construction business. They expected immediate benefits to be fairly quickly offset by rising prices and the higher cost of materials not originating in Britain.

Since the pound fell below $1.85 Russia and other Eastern Bloc countries have been negotiating new timber prices with their British buyers. A floor price of *$1.85 for sterling* was fixed on the contracts last year when importers felt that it would never be reached.

Now that the pound has fallen below the floor price the cost of timber products made from Eastern Bloc imports is likely to increase by 16 per cent., according to Mr. John M. Meyer, chairman of timber importers Montague L. Meyer.

The merchants were not likely to be adversely affected by the higher import prices, he said, because the increases would be passed on to the purchasers of timber products.

Mr. John Adams, director general of the British Paper and Board Manufacturers' Association, said: "The fall in the value sterling is having very severe consequences for the market pulp using sector of the industry.

"The cost of imported pulp for making paper has gone up by about £20 a tonne in the last two months and up to £50 in the last 12 months.

"This is at a time when other increasing costs are forcing papermakers to apply for price *increases, the effect of which* will be wiped out overnight, requiring further price rises when permitted."

Newsprint

Mr. H. M. Stephen, chairman of the U.K. Newsprint Users' Committee, said that Britain imported newsprint costing *nearly £165m. last year and the* fall of sterling was likely to increase this figure substantially. Since 1972 there had been a steady rise in newsprint price, largely due to currency.

"No sooner does one agree to an increase in price when it is swallowed up. A £15 a tonne increase for Scandinavian newsprint has now been eroded by £9.66."

Mr. Barry Stephens, group managing director of Seibe Gorman Holdings, which concentrates upon advanced underwater and fire-fighting technology and related areas, said the decline in the value of the pound was giving his company an unquestionable price advantage in most of their overseas markets. About one-third of the group's sales are overseas.

Given the essential conditions that both quality and delivery *were equal or superior to foreign* competitors, he said, the lower value of sterling could only help. He believed the price advantage would be even more pronounced when overseas countries recovered from their present quite acute recession and increased their spending.

In the long term, however, the increasing costs of raw material imports were bound to erode the advantage and precipitate further involuntary cyclical falls in the pound.

Grocery prices continue strong upward trend

BY DONALD MACLEAN

THE Financial Times grocery prices index continued its strong upward trend this month, when it went up by 5.83 points, to 222.43, a 2.7 per cent. increase which brings the rise over the year since last April to 24.7 per cent.

Higher potato prices were a major factor once more, but allowance must be made on this occasion for a widespread switch of buying to new potatoes.

Higher meat and egg prices played a significant part in the rise, and also a 1p rise in the price of the standard loaf of bread.

Prices used for this month's shopping basket were gathered last Tuesday—when sterling was standing at around $1.85, compared with $1.82 or so on Friday.

With the pound having fallen by some 10 per cent. against the dollar in the last two months, housewives face the prospect of a fresh build-up of grocery prices as a result of the increased cost of imports.

Continued weakness in the pound could result in pressure on the Government's selective *price restraint scheme. Under* the scheme, prices of a number of goods, including various grocery lines, are due to be held by shopkeepers to a maximum *increase of 5 per cent. over six* months, from the start of the scheme in February.

FINANCIAL TIMES SHOPPING BASKET

	Apr., 1976 £	Mar., 1976 £
Dairy Produce	108.37	108.42
Sugar, Tea, Coffee, Soft Drinks	48.96	49.19
Bread, Flour, Cereals	66.76	66.54
Preserves and Dry Groceries	22.37	22.36
Sauces and Pickles	12.19	11.85
Canned goods	39.64	38.20
Frozen foods	33.78	33.06
Meat, Bacon, etc. (fresh)	148.53	144.97
Fruit and Vegetables	128.37	119.58
Non-Foods	47.06	45.96
Total	657.41	640.15

INDEX

1971: Feb. 100; Mar. 101.09; April 102.73; May 105.75; June 108.00; July 107.24; Aug. 105.40; Sept. 105.26; Oct. 104.35; Nov. 105.48; Dec. 108.26.

1972: Jan. 109.18; Feb. 109.10; Mar. 109.24; April 108.04; May 109.34; June 115.97; July 111.97; Aug. 113.40; Sept. 112.14; Oct. 113.15; Nov. 11: 114.48; Nov. 18: 114.49; Nov. 25: 114.72; Dec. 2: 114.72; Dec. 9: 114.75; Dec. 16: 115.77.

1973: Jan. 117.56; Feb. 119.25; Mar. 120.53; April 123.80; May 125.57; June 128.81; July 127.64; Aug. 126.59; Sept. 129.39; Oct. 138.83; Nov. 135.83; Dec. 138.26.

1974: Jan. 141.41; Feb. 141.52; Mar. 142.66; April 8: 143.23; April 29: 142.64; May 145.17; June 147.97; July 146.22; Aug. 145.25; Sept. 147.6; Oct. 150.5; Nov. 156.39; Dec. 159.15.

1975: Jan. 162.84; Feb. 167.77; Mar. 173.50; April 178.39; May 183.41; June 193.02; July 188.45; Aug. 189.23; Sept. 186.64; Oct. 189.79; Nov. 194.78; Dec. 201.90.

1976: Jan. 208.33; Feb. 211.81; Mar. 216.60; April 222.43.

The index is based on the prices paid by 11 shoppers around the country. The shopping was done in supermarkets and independent grocers.

Report supports old methods

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

CHILDREN MAKE faster progress in the basic skills of reading, mathematics and English when taught by formal *methods, according to a four-year* research project by Lancaster University, to be published today.

The study, covering 870 schools around Lancashire, found that, as well as being sharply ahead in basic skills, the formally-taught pupils' "creative" writing abilities were on a par with those of children taught by the more modern "progressive" methods associated with the Plowden Report published in 1967.

The main explanation is that children are required to work harder by formal teaching, which demands relative quietness in class and includes plenty of teaching. Pupils in areas which still retained the 11-plus test *were found to have made more* tha naverage progress.

Informal methods set much store by allowing pupils choice of activity and providing sociable surroundings, with the aim that children will become self-motivated to learn instead of being made to study.

The Lancaster research team considers that the informal methods do produce greater motivation. But they were also found to lead to greater anxiety, *especially among academically* bright and insecure children.

While the findings indicate "in unequivocal terms" that formal teaching is associated with greater progress in the essential skills, Professor Noel Entwistle, head of educational research at Lancaster University, gives a warning against drawing simplistic conclusions from the research.

The sample of teachers he says, included one user of the progressive approach whose class showed exceptional progress in the Three Rs.

The study report also points out that informal teaching seems to be nowhere near as widespread as its detractors often suggest. The methods so *enthusiastically advocated by the* Plowden Committee were being used by no more than 17 per cent. of the teachers studied.

General observation of the education system suggests that the informal approach has been much favoured among the younger teachers coming into the schools in recent years, and among teachers with Left-wing political beliefs.

The Lancaster study comes after numerous, less well *researched claims, that "progressive"* teaching tended to leave pupils, particularly those from poor homes, handicapped in the Three Rs.

However, the Bullock Report on literacy, published last year, carefully refrained from offering any judgment on the respective efficacy of formal or informal methods.

The Lancaster report yesterday brought an immediate attack by Dr. Rhodes Boyson, Conservative MP for North Brent and a leading educational traditionalist.

"This *should cause every* parent to-morrow to check what is being done at local schools," he said. "If they are filled with progressive rubbish, they should demand from the headmaster and governors that they should return to traditional structured learning, so that their children will have a fair chance in school."

Teaching Styles and Pupil Progress, by Neville Bennett. Open Books. £2.95 (paperback) £5.75 (hardback)

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PROCESSING

More cold forging steels

BELIEVED TO be the first of its kind in the U.K. to use a controlled protective gas atmosphere, an eight zone, two-lane continuous annealing furnace has been installed at Unbrako Steel Company, Manor Road, Kiveton Park, Sheffield S31 8PB (0909 770431), for spheroidising cold forging steels.

With a rated output of three tons steel/hour, the furnace will increase the company's total output by 45 per cent. Commissioning of the furnace, which was supplied by Stein Atkinson Stordy (Dorking 5981), marked the completion of the first phase of Unbrako's expansion programme, which cost about £850,000 (over two thirds was the cost of the furnace).

The second phase, which will cost £1.2m. and should be completed by April next year, will include the installation of additional steel melting and billet rolling capacity.

Chosen in preference to extending existing batch-furnace capacity, the new furnace is fired by natural gas, with heat input from radiant tubes. Each of the eight zones is controlled automatically and independently for temperature. Furnace atmosphere is produced on site from liquid nitrogen and endothermic gas.

Control of the endothermic gas generator is by automatic dew point measurement and the furnace atmosphere is monitored continuously using an infra-red carbon dioxide measuring system.

Work transfer in the furnace is based on a continuous pusher roller-tray principle. Coils of descaled material are loaded on trays which are fed in two lanes through the furnace, and then transferred hydraulically to the coil unloading station. Empty roller-trays are returned to the charging end of the 110 foot-long furnace by mechanically propelled electric hoist.

Unbrako produces steel wire and rod for making threaded fasteners, springs and cold forged components. The spheroidising furnace produces by heat treatment a structure in which the cementite in the steel is in a spheroidal distribution giving improved machinability.

Pumps for heavy duty

REISS Engineering Company of Stanmore, Middlesex, has won an order in excess of £500,000 for the supply of high pressure plunger pumps to Davy Loewy, Sheffield, for delivery to Stankoimport, USSR.

The 11 pumps involved will be manufactured by Uraca Pumpenfabrik, Urach, West Germany, and will be used to drive two hydraulic forging presses. These presses, of 6,000 tons and 8,000 tons capacity will be used for the production of heavy forgings for the USSR power industry.

The pumps are of the Uraca KD S17 triplex type and will operate at pressures of 315 bars (4,567 psi). The order was obtained from Davy Loewy against worldwide competition, the main considerations being the advanced design and maximum hydraulic efficiency of the pumps backed by Uraca's expertise in high pressure hydraulic engineering.

Reiss Engineering is the U.K. agent for Uraca.

● COMPONENTS

Hydraulic rotary twin pilot valve

FOR REMOTE control of dual hydraulic system components, a rotary pilot valve has been developed by H. Slater and Son (Engineers), Surrey Works, Broadfield Road, Sheffield S8 0XL (0742 52077).

Controlled by a three-position lever, the unit contains two separate valves in a common housing, each capable of flow rates up to 2.5 gal./min. at a maximum pressure rating of 3,000 psi.

Suitable for manual or trip dog actuation, it may be used for remote pilot operation of directional control valves, sequence or series control of hydraulic circuit functions, pilot interlocking, or for venting relief valves of the balanced piston type.

Of the closed centre type, with a single operating lever, the pilot valves will prevent oil flow during spool crossover, thereby maintaining system pressure for other valving in circuit.

Piping connections are ⅛th BSP, and the valve is designed for direct flange mounting.

Fitting a Luneberg lens radar reflector to a busy superstructure. This small reflector, which was developed under the sponsorship of the Japan Ship's Machinery Development Association by Tokyo Keiki, has an all-round radar cross-section of 10 square metres from sea level and 30 square metres from the air. It is to be marketed by AGA Navigation Aids, Brentford, Middlesex. Applications range from defining sea lanes, harbour exits and entrances to marking low structures such as oil rig anchor buoys and pipelines.

● TEXTILES

Fabrics cut to length faster

DEVELOPMENT of a two-blade rotary scissor which cuts material in each direction of travel has increased the speed of automatic "cutting to length" of textiles from ten cuts/min to 30 cuts/min. Existing systems operate in only one direction.

John T. Hardaker, PO Box 35, Bradford, Yorks., BD4 8ST (0274 22629), which developed the system, has also produced mechanical handling devices to feed material automatically to the cutting unit and convey cut lengths to the making up stations.

Material from the roll can be fed into the machine in a single width, or through special doubling units to enable up to four layers of material to be measured and cut at once.

Cut panels can be automatically transported to other sections by a unit which drapes the panels over special hangers attached to an overhead conveyor system. Hangers are controlled to accept a pre-selected number of panels.

The company says the machine is suitable for cutting a range of materials used in the production of carpets, blankets, towels, curtains, mattresses, etc.

● WELDING

Italian portable spot welder

A LIGHTWEIGHT portable spot welder, able to weld together two plates 1.5mm thick (16 swg) at a rate of 200 spots per hour, is being marketed by Marron Machines, 37-38 Queensbury Station Parade, Edgware, Middlesex. [illegible] machine has a capacity of 1,000 spots per hour when welding two plates 0.5mm thick (25 swg) and may be used to spot weld plates of dissimilar thickness. It operates at 2.6 kVA at a nominal power of 50 per cent.

Known as the Super Stork Model TMP.2000, the machine, made by Telitalia, Vicenza, Italy, is suitable for operation from standard mains supply.

Weighing only 9.9 kg and with overall dimensions of only 355 x 215 x 90mm it [...] standard with a [...] (8 inch) long a[...] while other arm[...] up to 450mm an[...] configurations[...]

Typical applicati[...] spot-welding of[...] panels, valances, [...]motive trade; and[...] of cabinets and [...]tions in the sheet[...]

The spot weld[...] able with a time[...] with settings bet[...] 2.5 seconds and a[...] which automatica[...] lengthens the [...] times to ensure a[...]

● PACKAG[...]

Steel st[...] make t[...] bundle[...]

CAPABLE OF [...] securing betwee[...] straps a minute, [...] strapping track [...] strapping mach[...] marketed by Pak[...] Cordwallis Estat[...] Berks. (0628 263[...]

Known as the [...] can be supplied [...] automatic mach[...] operator position[...] and activating [...] cycle by means [...] foot-operated swit[...] automated mach[...] with input and ou[...] with the packag[...] feeler switch fo[...] strapping mechan[...]

It is supplied [...] wide strapping tr[...] from 8 to 24 inch[...] track sizes up to [...] by 48 inches hig[...] plied. The mach[...] strap steel strap [...] in a variety of wid[...] and with tensile s[...] 150 tons/square i[...]

Applications ra[...] carton packs to [...] and bundling of [...] and similar mate[...]

● DATA PROCESSING

Expansion in COM

MICROGEN, the computer output to microfilm service bureau of Watford, is enjoying a period of rapid increase in business even in the present difficult times.

Mr. Alan Bratchell, sales director of Microgen, says monthly billings are now running at almost three times the rate of November 1974 when he and the other directors of Microgen bought the company. Microgen has been operating as a COM bureau since May 1972 and has, to some extent pioneered the introduction of COM into the U.K.

Most computer department managers are already well aware of the benefits of COM and of microfilm generally but until recently there have been other more important projects which needed attention. The recession and slimming of budgets has pushed the introduction of microfilm higher up the priority list because it is a project that can show immediate cash savings. This is partly the reason for the company's success.

Microgen claims to be the leading COM bureau in the U.K. It uses equipment including a Datagraphix 4500/150, a Datagraphix 4460 and a Pertec 3700. The two Datagraphix machines have their own mini-computers and Microgen has recently ordered a new Bell and Howell 3802 mini which will be used in conjunction with the Pertec 3700, thus giving Microgen three "front-ended" COM recorders.

Microgen is at 9 Langley Road, Watford WD1 3PS. Watford 41387.

. . . and also at CMG

THE NINTH operating company in the CMG group has been formed—to be known as CMG West End—to take on the company's increasing business from professional institutions.

At the same time the group has announced that its turnover has passed the £5m. a year mark after 11 years of activity.

To cope with increased work load a £¾m. Honeywell 64/20 is to be installed, chosen for its compatibility with the company's existing INFORM and INVEST systems; the former is a specialist membership and accounting package for institutions and the latter a stock exchange investment portfolio management service. More from Lennig House, Masons Avenue, Croydon, Surrey (01-681 7631).

Analyses noise data on site

THE advantage of a noise monitoring system introduced by Computer Engineering is that it carries out a great deal of the necessary statistical computation on site, obviating tape recording of the signals and subsequent laboratory analysis.

A full week's unattended operation is possible with the CEL 162 and the maker claims that it meets all the measurement requirements of local authorities.

The microphone and a pre-amplifier are in a separate box which can be up to 500 metres from the main unit, the latter containing an autoranging sound level meter, data acquisition circuits, computation and read-out. Both boxes are weatherproofed.

The meter will follow the signal over a 90 dB range and the actual sound pressure level range covered by the instrument may be selected as either 25 to 115 dB(A) or 55 to 145 dB. Various filters may be switched in.

Overall operation of the instrument is determined by setting of the programmer controls and a read-only memory supplied for plugging in. The system can calculate simultaneously two equivalent continuous level parameters and seven statistical indices. Answers to be obtained for any one measurement are selected by ten push buttons on the panel, while the actual index values are controlled by the ROM.

Answers appear on the print-out, each identified by its parameter, date and time. One nine volt radio battery enables 3600 lines to be printed in 24 hours, or 720 over eight days.

Records are easier to consult

AGAINST competition from some very powerful groups, Caps has succeeded in taking a major contract to provide microfilm equipment to support the exacting work of the Companies Registration Office—Companies House.

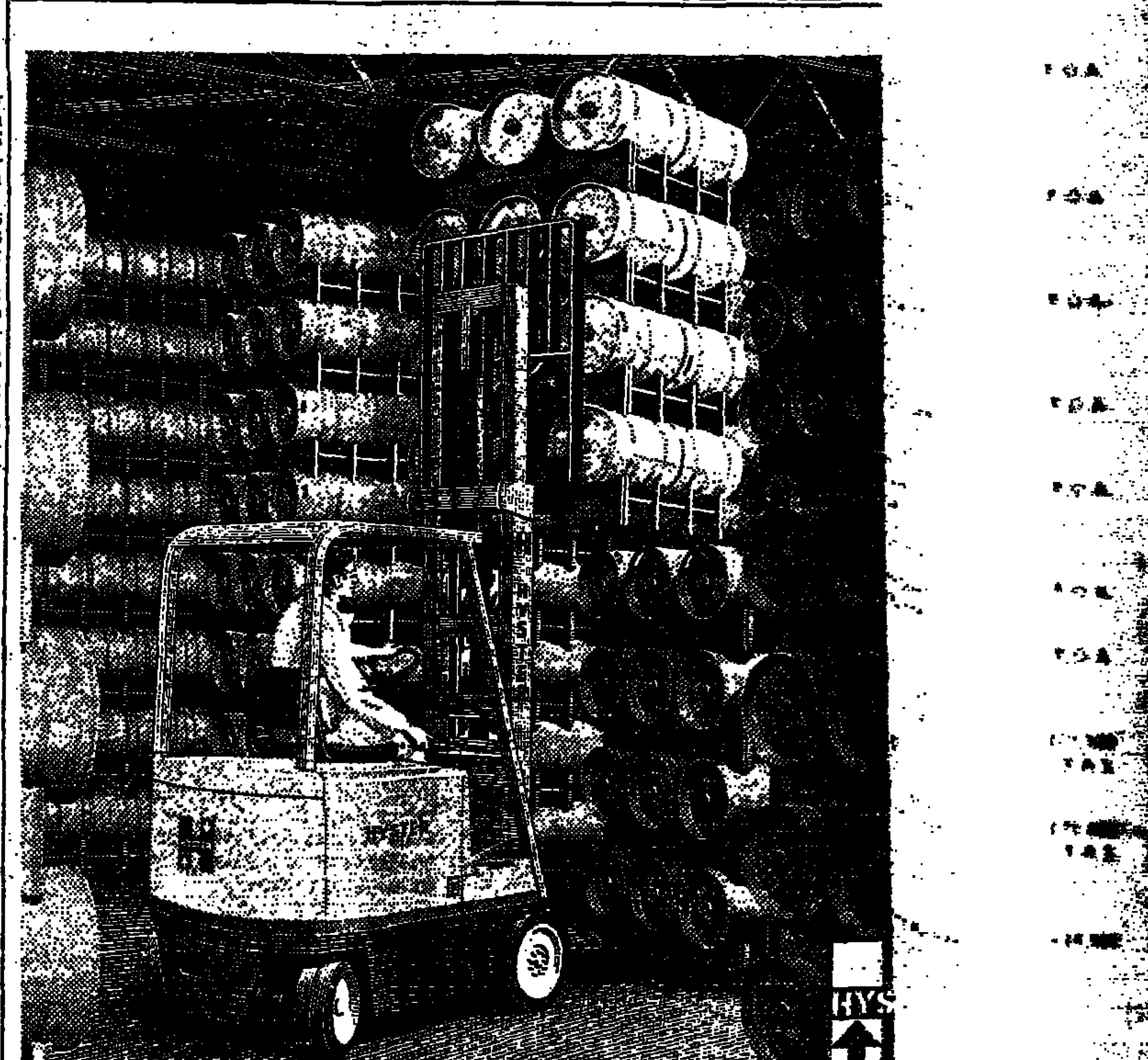
Increasing demand from the commercial public for easier access to companies' records has dictated the move and Caps is supplying 122 double microfilm reader work stations which incorporate twice the number of microfiche readers. There are also to be seven single stations, 27 Mercury readers and 17 modified reader-printers. Most of them are in the London centre.

Some will go to the new Companies House headquarters in Cardiff.

The move meets the staff shortage and heavy file handling problems simultaneously since all records have been transferred to microfiche and data consultation is that much easier.

Caps Microfilm is at 7, Westmoreland Road, London N.W.9. (01-204 4111.)

CONTRACTS AND TENDERS



مكتب أصلي الأصل

Building and Civil Engineering

n. road er accepted

3GH Group has of nearly £3.7m. of the A40 Lon- ard trunk road Department of

the junction of ne A312 Church t in the London ing, will be car- Southern Civil ision, Sir Lindsay o. of Fairclough. n soon and will ears to complete. ente will be l three-lane car- rds from a point tres west of the t 900 metres east where the road d Union Canal. e of the scheme ne local environ- ting severe con- h Road junction Pedestrians will segregated from he subways and ulting engineers d Co.

es Borough varded a £1¼m. to the Fair-

's Sir Lindsay h East Building design and con- lings at Ewbank , and Gilmour

uses, two storey hree storey aged d a community d for.

kitchen, dining room, bathroom and shower for each group of seven bedrooms. Elevations are in brick, and the work should be completed by June 1977.

At Katherines Neighbourhood, Harlow, the company is to build 104 two-storey houses and 52 two, three, and four-storey flats, together with roads, sewers, etc., under a £1.48m. contract from Harlow Development Corporation. No-Fines construction will again be used and the work should be finished by July 1977.

At Leeds in Park Lane, Wimpey is building a five-storey office block in reinforced concrete valued at £650,000 for Interland Project Management.

A single storey brick built school for educationally subnormal children is being built at Westwood Way, Boston Spa, for Leeds Education Department under a contract worth £255,000. Completion is scheduled for August 1977.

Police H.Q. in Lincoln

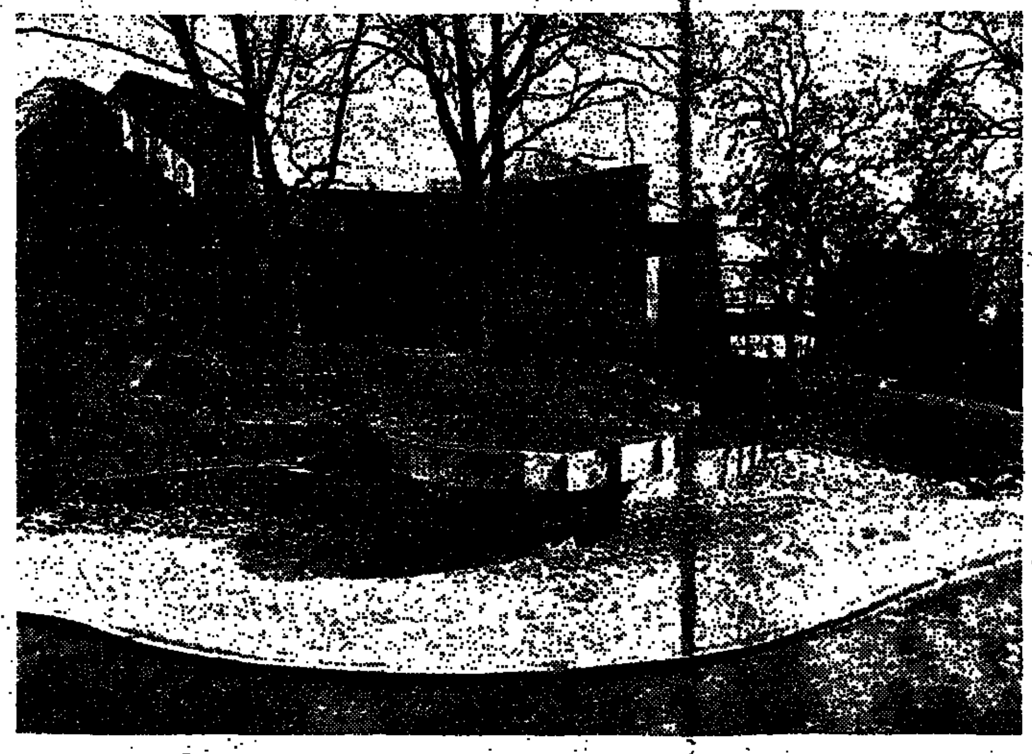
FOR LINCOLNSHIRE County Council, Pumfrey Construction is to build a County Police Force Headquarters at Nettleham, near Lincoln.

Valued at £3m., the contract comprises a main block of some 11,000 square metres with administration, training, recreation, residential and communication functions built principally in SCOLA Mk. 3 construction. Included are garaging and workshop areas, a gymnasium and sports pavilion.

The company has also been awarded contracts totalling £2.6m. for a skill centre for the DoE in Doncaster; 90 dwellings in the same area for the Havelock Housing Society; a building for DoE in Gainsborough; a superstore for Associated Dairies in Scunthorpe; and 37 single-storey old people's dwellings for the GLC at Skegness.

. work impey

University has m. contract to an dCo., for the dent residential eex Lane, South- evelopment com- ly bedrooms in ey blocks. Con- No-Fines tech- ks will include



Photographs by Ashley Ashwood

The £1m. Large Cat Exhibit at London Zoo which is to be opened by the Queen on June 3. Designed by the Zoological Society of London's Architects Department, main contractors were J. Jarvis and Sons. Walls and water retaining structures were built by Gunite Swimpools, a subsidiary of the Cement-Gun Group, by spraying onto single sided shuttering through a 1¼-inch hose nozzle. On the right a tiger's eye view of the public.

University computer centre

CONSTRUCTION OF a computer centre for Salford University is to be undertaken by Higgs and Hill Northern under a contract worth over £400,000.

The site was formerly part of a reservoir, and before construction of the ground-floor slabs and foundations, the ground will be stabilised by vibro-flotation compaction. The two-storey structure will be of load-bearing concrete blockwork.

About half the first floor area will be occupied by a computer room that will have cavity flooring, and ventilation and air conditioning installations. Plant rooms will be at basement and roof levels.

Architects, consulting engineers and quantity surveyors are W. F. Johnson and Partners.

£1m. order from Turkey

THE CompAir Group has won a £1m. contract for portable air compressors and hand-held rock drills for use in rural development projects in Turkey.

It was placed by the Turkish Government, YSE Ministry, through Meksan, the CompAir distributor in Istanbul and Ankara.

Under the agreement some 300 BroomWade CV 125 and CV 250 air compressors will be assembled in Turkey using a number of components from local sources.

Big services jobs in Nigeria

TWO MECHANICAL and engineering services contracts in Nigeria—probably among the biggest yet undertaken by the company—have been awarded to Drake and Scull Engineering.

The contracts are for first-stage work at two Federal teacher training colleges, one being built at Yola, Gongola State and the other at Okene, Kwara State. Value of the contracts has not been disclosed, but according to Mr. Lionel Bugler, managing director, they are "in the multi-million class."

Each college will be on a four-square mile site and will have about 100 teaching and residential accommodation buildings. Work has started on the colleges and the first stages are expected to be completed in two years. Main contractors are a German company, ATP and Cubitts. It was announced early in March that Cubitts had won the £10m. contract for the college at Yola.

More work for Cubitts

HOLLAND Hannen and Cubitts (Midlands) has been awarded a contract worth nearly £3m. for a major extension to a commercial development in the centre of Solihull being carried out by the Norwich Union Insurance Group in partnership with Solihull Metropolitan Borough Council.

Cubitts' contract includes a 40,000 square feet supermarket for Sainsbury, extension to an existing store, ten shop units, a multi-storey car park for the local authority, a four-storey office block over an air-conditioned precinct area, and ancillary work. Completion is planned for early 1978.

Construction generally will be of reinforced concrete frame, suspended floors, ramps and roofs. Some areas of the roof will also be of metal decking. External walls are to be of faced brickwork with some reconstructed stonework.

Architects for the development are The Harry Weedon Partnership; quantity surveyor, Oswald A. Wainwright and Partners; and structural engineers, James Carrington and Partners.

£¾m. worth of concrete units

THREE CONTRACTS totalling over £¾m. for the erection of an Army pay and records office, York, a multi-storey car park at Chelmsley Wood and 18,000 square metres of pre-stressed concrete flooring for a Rotherham housing project have been awarded to Concrete

The major slice of the work is for the manufacture and erection of the Army's new pay and records office at Imphal Barracks, York. Concrete (Northern) has been awarded a £486,000 contract for the pre-cast concrete work which includes the three-storey structural frame with heavily profiled, load-bearing cladding panels designed by the Directorate of Works (Army) at Chessington, Surrey. Shepherd Construction, the main contractor, has already begun work on the £2¼m. project.

The three-storey car park at Chelmsley Wood, West Midlands, will be started in June and will form part of the shopping centre now under construction. The pre-cast concrete structure comprising beams, columns and spandrel edge beams will cost £241,000. Main contractor is C. Bryant and Son.

The flooring is for a £6.5m. housing development for the Rotherham Metropolitan Borough Council. The Bison units—1,200 mm. wide by 150 mm. deep—will be machine made and supplied fair-faced ready to receive decoration. Included in Bison's £135,000 contract are pre-cast concrete staircases and landings. Main contractor is Frank Haslam Milan and Co.

Purification of sewage in Naples

BABTIE, Shaw and Morton, in conjunction with Italian associates Polytecna Harris of Milan has been awarded the process and detailed design of the sewage treatment works for Naples East.

Construction value of the works is put at £25m.

This is the biggest project of its nature entrusted to the firm and involves the design of a treatment works for a population of 1.6m. people to produce a high standard of effluent which will be discharged to the Bay of Naples via a short length of open conduit.

Treatment processes for the liquid stream involve pumping, screening, grit and oil removal, pre-aeration, primary sedimentation, biological treatment by the activated sludge, separating tanks and polishing of the final effluent by flocculation and sand filtration. The sludge treatment circuit involves gravity thickening, biological stabilisation by stage digestion, mechanical dewatering followed by rotary dryers.

In certain periods of the year the dried sludge will be used as a soil conditioner and at other times will be incinerated. Methane gas released during the digestion process will be used as a source of energy throughout the site.

Public works are undertaken in Italy on the turnkey system and contractors and consultants put forward a bid for the design and construction of a particular project. The contractors with whom BS&M will be working include Girola which is part of the group constructing the Tarbela Dam, and Italstrade which is one of the biggest road and road tunnel contractors in Italy.

Work is for the Cassa per il Mezzogiorno, a branch of the Italian Government charged with the responsibility of developing the southern part of the country.

Homes in Darlington

NORTH British Housing Association has awarded a £1¼m. contract to John Laing for 160 dwellings in Whinbush Way, adjacent to the municipal golf course on the northern boundary of Darlington, Co. Durham.

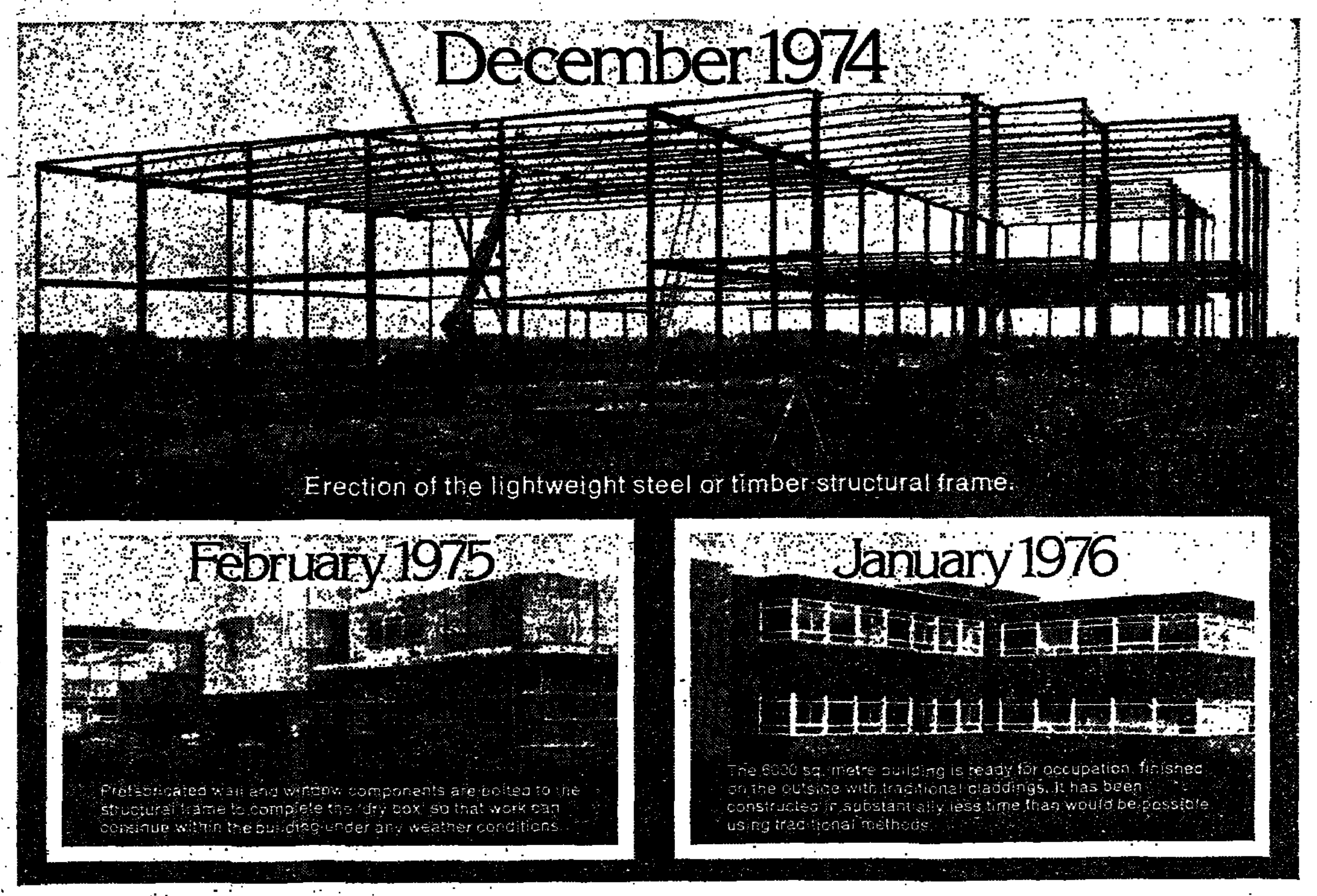
The development will comprise three three-storey blocks of 27 two-bedroom flats, 23 two-storey blocks of 46 one and two-bedroom flats, 54 four-person and 33 five-person houses. All will be of traditional brick construction with tile covered timber pitched roofs and will incorporate electric ceiling heating.

Architects for the scheme are Sharp / Godsmark / Walker / Philips, of Darlington, and quantity surveyors are Henry Cooper and Sons.

Shipyard facilities

NORWEST HOLST Construction hsa been awarded a design and construction contract valued at about £1m. by Vosper Thornycroft.

The contract is for the building of a covered berth and associated facilities for the construction of glass reinforced plastics vessels, together with amenity buildings and associated external works at Vosper Thornycroft's yard at Woolston, near Southampton.



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MONDAY, APRIL 26, 1976

Foreigners can read

LAST WEEK'S fall in sterling, as indeed the immediately preceding shocks in the foreign exchange markets, has been attributed to a variety of causes. Statements by union leaders, votes at the Scottish TUC, strikes at British Leyland and component manufacturers have all been blamed. The rise in MLR on Friday barely steadied the rate until New York came in late in the day when it plunged once again. The conclusion which Ministers so far apparently have not drawn—though the Prime Minister yesterday indicated that he may be beginning to work towards it—is that there must be something drastically wrong with Government policy if a speech by some trade unionist or other or a strike by a few transport drivers can send sterling into a virtually uncontrollable slide.

Given the volume of short-term borrowing abroad which this country has undertaken in order to sustain a standard of living which it has been unable to earn by its own endeavours, the level of sterling is now determined by the willingness or otherwise of foreigners to hold our currency. A good start towards realism might be for Ministers and trade union leaders to keep on their desks a little plaque with a very simple inscription: "Foreigners can read."

The limit

They can and they do and what they have seen since the Budget is hardly confidence-inspiring. "A limit of 3 per cent. (on wage increases in the *next round) is the basis of my* proposals because I do not believe that in the circumstances of the coming year a higher limit could be relied on to bring down our rate of inflation to that of our principal competitors," said the Chancellor in his Budget speech. Hardly had he sat down when trade union leaders started on what they considered to be a good old traditional essay in wage bargaining, describing the Chancellor's proposals as totally unacceptable, while a number of Ministers—Mr. Edmund Dell being just about the only exception—gave them every encouragement in the belief that we were just at the start of the normal stately haggling process.

There are by now plenty of indications that the union leaders are misjudging the feelings of a majority of their members. Many of those in work, and no doubt an even greater proportion of those who have lost their jobs (who do not include union leaders among their number) agree with the Chancellor's words that it is "silly to want to be paid in confetti rather than real money." Some of them may even remember that it was the Government which paid out increases of 30 per cent. in the name of the "Social Contract" and then printed the confetti to foot the bill.

Growth condition

As the Germans and the Americans have demonstrated, there is only one way to get out of the recession from which they are now emerging. Inflation must be contained first before growth can resume and jobs re-created. The sums underlying the Chancellor's 3 per cent. are simple enough. They allow for a consolidation of last year's £6 into basic rates and thus an *earnings* increase of about 6 per cent. The package might well be arranged in slightly different form, giving greater flexibility. But that 6 per cent. earnings figure must be sacrosanct. That is what the Chancellor must now make clear. He must explain to Mr. Murray and the TUC that his monetary targets will be such that any excess on that figure will automatically mean fewer jobs. He must make it clear that there can be no ques*tion of higher subsidies or any* other measure which would add one penny to already excessive public sector spending. The odds are that not only foreigners but also people in this country would understand him.

As the Chancellor has told us all time and again there is now an opportunity for some export-led growth. Whether that opportunity can be seized depends on our competitiveness when virtually every major competitor has spare capacity and a lower inflation rate. Up till now the Government has let the exchange rate ensure competitiveness. That policy is now bankrupt.

Key elections for Italy

THE DECISION of Italy's ruling Christian Democrat Government to hold a confidence debate on Tuesday should break the immediate political deadlock, in which the country's institutions have been paralysed since the beginning of this year. The politicians have proved so adept at procrastination and evasion for so long that one cannot absolutely count on a clear outcome to Tuesday's debate. But it is difficult to imagine the Prime Minister securing a vote of confidence, or to see how he can much longer avoid calling general elections.

Even if the debate does produce a clear decision to dissolve Parliament, it is far from certain that the elections themselves will produce a result which is sufficiently unambiguous to enable a new Government to tackle Italy's economic and political crisis. It is commonly assumed that the Communist Party will improve its national vote and could even become the largest single party in Parliament. The assumption is based partly on its powerful showing at last summer's regional elections, which may not in fact be the most appropriate base-line for the test of general elections. But even if the Communist Party should overtake the Christian Democrats as the largest single party, it would not necessarily follow that there would be Communists in the next Italian Government.

Public support

For one thing, the party is clearly reluctant to lead a Left-wing coalition on the basis of a narrow majority in Parliament and in the country. Any serious attempt to deal with Italy's economic crisis would require a broad measure of public support to carry through actions, some of which would inevitably be unpopular. To the Communists, moreover, the memory of what happened to the ill-fated Allende regime in Chile is still very vivid.

It is for this reason that the Communists have repeatedly pressed for a "historic compromise" with the Christian Democrats, and for the consequent formation of some kind of grand coalition. Such a coalition might make sense, since it would link the Communist power-base in the urban proletariat with the Christian Democrat base in the bureaucracies and the nationalised industries.

Polarisation

The Christian Democrats, however, show no sign of welcoming the Communist overtures. Their chief concern has been how to counter the threat of a further Communist advance, and it seems probable that their main platform in any election campaign will be a simple anti-Communist appeal. One cannot exclude the possibility, therefore, that the elections will produce a greater polarisation between Left and Right, in which conceivably the Christian Democrats and the Communists could both make gains at the expense of smaller parties, yet without creating an adequate basis for strong and stable government by either side.

The view that the Italian Communists are, for all their protestations of economic and political liberalism, exactly the same under the skin as Communists in Eastern Europe, is one which cannot be proved or disproved except by experience. Less debatable is the view that the Communists are so different from the Christian Democrats that a genuine Communist "victory" in the elections would imply, in a very loose sense, a change of regime. The regime of the Christian Democrats has been tried for 25 years and it has been found wanting. It is far from certain that the elections will put anything better in its place.

The fate of economies around the world depends greatly on the performance of the U.S. Jurek Martin, U.S. Editor, assesses the strength of the U.S. recovery

Off the launching pad, but not yet in orbit

ACCORDING to the people who run it, the only real danger facing the U.S. economy in the immediate future is that too much stimulus is applied as the early phase of recovery from the worst recession since World War Two leads into an era of genuine expansion. This is a threat which, the Administration believes, it is more than capable of containing. But there are things not quite right with the economic health of the country, and if, to a foreign eye, some of the problems seem relatively insignificant, that does not mean that they can be ignored.

First, the rate of inflation has not subsidised the 2-3 per cent. per annum range suggested by the first quarter statistics. The underlying rate remains about 6 per cent., and may conceivably be higher. Low food and fuel prices that have so mitigated the inflation picture in the last six months will soon start to move up: the oil companies, anticipating summer demand, are already raising the price of petrol, and the long winter drought in the Midwest and the central California valleys must have an impact sooner or later.

The cost of services has, even in the first quarter, shown few *signs* of increasing at a pace that could be described as moderate. Overall, the services *index rose at an annual rate* of 10 per cent. in the first three months of the year. Some component parts — transport, insurance, and medical care, for example — rose by much more. The Council on Wage and Price Stability, the toothless government prices watchdog, has become so concerned by the remorseless increase of hospital and other medical bills that it is issuing a special analysis of the situation today.

Nor have the increases of the prices of commodities other than food and fuel abated to a satisfactory level. Only ten days ago, U.S. steel raised the prices of a range of pipe and tubing by 6-7 per cent., reflecting the fact that the cost of steel scrap (not to mention both lead and copper scrap) has been going up appreciably.

Mr. Simon of the Treasury: protests against excess.

GROWTH, INFLATION AND THE CONSUMER

GNP: QUARTER BY QUARTER

Quarter	Nominal growth	Real growth	Price Deflator
1974:			
I	5.9%	−3.9%	9.8%
II	6.3%	−3.7%	10.0%
III	10.2%	−2.3%	12.5%
IV	5.9%	−7.5%	13.4%
1975:			
I	−1.4%	−9.2%	7.8%
II	7.6%	3.3%	4.3%
III	19.1%	12.0%	7.1%
IV	11.8%	5.0%	6.8%
1976:			
I	11.2%	7.5%	3.7%
Estimate for year	12.1%	6.2%	5.9%

(Quarterly figures denote change from previous quarter, seasonally adjusted)

CONSUMER CONFIDENCE

Month	Index figure
Dec. 1972	88.4
Feb. 1973	81.4
Feb. 1974	60.9
Oct. 1974	58.4
Dec. 1974	53.7
Feb. 1975	58.0
May 1975	72.9
Aug. 1975	75.8
Oct. 1975	75.4
Feb. 1976	84.5

(University of Michigan test of consumer confidence, Feb. 66=100)

Rubberworkers' strike

The trend of labour settle*ments reached so far this year* may be encouraging in so far as the rate of wage increases has been decelerating. But the numbers are still high. Excluding cost of living clauses, but including fringe benefits, the average first year increase agreed to date is 9.5 per cent. and, over the life of the contracts, generally of three years duration, 7.6 per cent. per annum.

The figures are better than those for the same period last year (11.4 per cent. and 8.1 per cent. respectively), but they do not include the 30 per cent. settlement extorted last month by the Teamsters' Union, which is bound to have a bearing on several major wage negotiations in the offing this year. One of these, involving the rubber workers, has already produced a national strike, now nearly a week old and capable, if it lasts an appreciable length of time, of making life difficult for the currently booming car companies. The motor industry itself faces its critical triennial bargaining with the United Automobile Workers this autumn.

There is also some reason to doubt whether the unemployment rate will continue to fall as fast as it has in the first *quarter of the year from 8.2* per cent. to 7.5 per cent. The reasons for the fail are, in part, technical: a very abrupt slowdown in the growth of the labour force occurred between August last year and this February, when it increased by only 200,000, compared with 1.7m. in the previous half-year. The more rapid increase of the labour force that is about to ensue will, in spite of the fact that employment opportunities are on the rise, mean that the overall unemployment rate will fall much less sharply than has been the case of late.

In turn, that may give impetus to congressional moves to spend more money than the administration would like on employment programmes. After all, it is an election year, and one of the few economic clubs that the Democrats possess to beat the Republican Administration with is the fact that too many Americans are out of work.

The focus of opposition attention is now coalescing behind the Humphrey-Hawkins full employment bill, now supported by all the major Democratic candidates for the presidency. Its originally proclaimed goal was to bring adult unemployment down to 3 per cent. (from the current 6 per cent.) within 18 months. Its principal sponsor, Senator Hubert Humphrey, now acknowledges that this would have exposed the economy to intolerable strains and the deadline has been put back to 1980. But it is still a very live proposal, strenuously resisted by the Administration which gravely doubts the efficacy of public sector jobs programmes.

Spending and inventories

Finally, there is disagreement as to whether the spending boom which has been such a factor in the latest surge can continue at the current rate. In the last five months, retail sales have grown almost twice as quickly as personal incomes. There has, of course, been a great revival of consumer confidence and it would be reasonable to expect that the savings rate (in the recession, up to 8 per cent.) will decline, perhaps to closer the post-war historic average of about 6½ per cent. If that happens, it should ensure that retail sales remain buoyant, if not as frentic as they have been since just before last Christmas when they began rising at an annual rate of 30 per cent.

The recovery so far has ridden along on consumer spending and re-stocking: the inventory-to-sales ratio remains low: unless there is a completely unforeseen collapse of consumer confidence the process will continue with inventory growth remaining rapid until a better balance is achieved. As the recovery comes to maturity it should be sustained by business capital spending which has so far lagged behind.

Monetary policy

In the first quarter of this year, industry operated at an average of 72 per cent. of capacity. It is, therefore, not surprising that the surveys of projected corporate spending for 1976 are all low, none fore*seeing increases exceeding 6¼* per cent. The Administration believes that the overall average is misleading and that in some sectors (chemicals, textiles, paper, carbon steels) excess capacity is small already and that investment plans are being made accordingly. The Treasury, for example, likes to point to the increased sales of both new and used machine tools as evidence that the process has already begun.

However, it is generally accepted that the real push to *higher business investment* will not come much before the end of the year and that—when it comes, it will be enough to ensure that the economy continues to expand at the very least throughout next year. At the start of 1976 there was real concern about 1977 within the administration. It now seems to have evaporated.

Some tightening of monetary policy is clearly in order. Dr. Arthur Burns of the Federal Reserve, mindful of the experience of 1972 when monetary restraint was not exercised, not only continues to warn of inflationary dangers, but is on record as saying that the current rate of expansion of the money supply, while appropriate to an economy in recovery, is probably too great for one enjoying mature expansion. Given the very rapid growth of money supply in the last month, the adjustment seems likely sooner rather than later in the year. But the spectre of a credit crunch is still on the farthest horizons, with business loans very slack, and corporate cash flows and profits greatly improved.

Nor is the Administration excessively worried at the moment by what Congress is *probably going to do in its 1977* budgetary proposals. The Senate has hacked some of Mr. Ford's policies to pieces (on tax cuts, block grants to local authorities, increased social security contributions, for example). Mr. Ford may not choose to go to war with the Congress about the $16bn.-18bn. which it will probably add to his admittedly austere budget.

Projections revised

Mr. William Simon, Secretary of the Treasury, does continue to warn of the dangers of excess stimulus and protests against every extra billion that Congress threatens to appropriate. But the Democrats no longer see government spending as the cure for all evils. They are about to sanction a budgetary deficit of about $50bn. for the 1977 fiscal year, little more than Mr. Ford advocated in the past.

The Administration will probably revise its official projections for the year within two months. After a first quarter of 7.5 per cent. annual growth in real terms, 3.7 per cent. inflation as measured by the GNP deflator, it is likely to shade upwards its 1976 growth forecasts from the present 6.2 per cent., and shade downwards its inflation expectations to closer to 5 per cent., and hope with greater confidence than before that unemployment will be down to and perhaps below 7 per cent. by the end of the year.

Mr. Arthur Burns: a monetary tightening

The private sector, too, will have its crystal balls out. Car sales, which rose by a quite staggering 70 per cent. *in the* middle of this month compared with last year, will be put at perhaps over 10.5m. Corporate profits which, according to the latest Citibank tabulation, rose by 34 per cent. in the first quarter over the same period in 1975, will show very healthy increases. The stock market, unless it becomes frightened by increasing interest rates will, it is assumed, reflect the prevailing optimism.

All of which, President Ford hopes will be enough to get him *elected in November. He can* look at the latest Gallup poll which says that 54 per cent. of Americans think the economy is going to improve still further against 23 per cent. who feel otherwise. Six months ago the pessimists were in the majority.

MEN AND MATTERS

Simon's own pay policy

The least-loved name inside the halls of the IMF and World Bank in Washington at the moment is William Simon. There is a good chance that on Wednesday, the Fund and Bank staff may hold an unprecedented public demonstration against the U.S. Secretary of the Treasury, not because he has been difficult over major policy matters (though he has), but simply because of the extraordinary campaign he has waged to limit a planned salary increase.

The Fund's management had more or less agreed on an 8 per cent. salary increase, to be paid this spring. Though salaries are not indexed, it was understood that most of this—around two-thirds—would reflect the higher cost of living the U.S., while consultants had been employed and found that the Fund and Bank staff had fallen behind the remunerations earned in comparable international organisations.

A staff economist with five years' experience earns in the $20,000-$25,000 a year range, *free of U.S. tax but liable* to certain other deductions. A departmental director may earn as much as $40,000, and an executive director $45,000-$50,000. A 7 per cent. increase had been paid last year, but that only covered cost-of-living appreciation and, in any case, was weighted in favour of those on lower salaries.

Enter Simon. As a member of the Fund's Board his involvement has not been questioned: what is at issue is that he has by-passed the Board by personally contacting other Fund governors, impressing on them his unequivocal opposition to the salary increase. According to some sources he has even gone so far as to suggest to certain "weak currency" countries that if they wanted help from the U.S. they had better go along with him on the issue. Simon's position is believed to be that the Fund staff is over-paid as it is and deserves at most some moderate cost-of-living compensation.

Interestingly enough, the *British, it is said, have refused* to knuckle under to his pressure. The Italians and the French, on the other hand, have apparently given way. Bitterness is rife among staff not so much because of his opposition to an increase but because he has tried to railroad the executive Board into submission to his view using tactics which have shocked the delicate sensibilities of international financiers. "Hell," one said over the week-end, "we don't work for William Simon."

"And unless the unions restrict their pay claims we will soon be a nation of ex-shopkeepers."

We all make mistakes

The Biennerhassett report on drinking and driving will, I understand, be presented to Parliament by the Minister of Transport, Dr. John Gilbert, on Wednesday of this week. It is widely expected to recommend tougher laws—including the highly controversial proposal that the police should be allowed to give random breath tests if they have reason to suspect that motorists have been drinking.

A less controversial aspect is the expected recommendation that the existing breathalyser test should be replaced by one of the more efficient systems now available. That idea will be widely acceptable, since the *margin of error under the* present method has proved a considerable nuisance. Ironically though, the report itself has suffered from an unacceptably high margin of error.

It was due to be published before the Easter parliamentary recess rather than after it. However a printing error was discovered which was too big to be covered by errata slips. The whole report had to be reprinted therefore, causing red faces at HMSO and a two week delay for the Minister.

Calcutta fare

The average Indian or Pakistani restaurant may still be a one-off entrepreneurial affair, but international organisation is moving in. For example, the Shezan group has branches in Karachi, Rawalpindi—and one near Harrods, while The Gaylord, with London restaurants in Mortimer Street and Albemarle Street, also boasts branches in New Delhi, Hong Kong and New York.

Now, with the opening of the Sujata restaurant in Duke Street, another international organisation comes into being. The equity in the restaurant is split 51 per cent. to London interests and 49 per cent. to the Park Hotel, Calcutta.

The financial link is not so surprising since it is something of a family affair. The London capital is being put up by Swarj Paul, an Indian born but now London-based industrialist, while the Calcutta director on the Board is his brother Surrendra Paul. What does more to make the new group different from the others, claims the London Paul, is the strong direct influence from Calcutta which will be exercised in the management of the restaurant and in the cooking *of the food. For example*, the two managers of the London restaurant are being supplied by the Park Hotel, and so too are the two senior chefs—who are likely to be changed on a rotation basis every few months.

There are plans to open other group restaurants in Europe (probably Paris or Frankfurt first) and Hong Kong, but as with every type of retail outlet the main difficulty is finding suitable sites. Plans for the London opening had been on the stocks for some time, but only became a reality when Paul was able to acquire the site of the old La Recoite restaurant.

Swarj Paul has other U.K. business interests outside the catering industry. He is chairman of Natural Gas Tubes (which is currently building a £4.5m. plant at Ebbw Vale) and manages the London shipping interests for a number of Indian companies.

Shorry!

Sign in a Putney secondhand shop: "Junk 'n' disorderly."

Observer

FINANCIAL TIMES SURVEY

Monday April 26 1976

WORLD BANKING

PART ONE: PART TWO WILL APPEAR NEXT MONDAY, MAY 3

The international financial system has largely overcome the problems produced by the oil crisis, and longer-standing issues have re-emerged. Ways have been sought, though not found, of ironing out the fluctuations in floating exchange rates and of helping developing countries with easier credits and sales of IMF gold.

CONTENTS PART ONE:

CONTENTS PART TWO:

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...turbulence and ...of 1974, created ...upling of the oil ...e beginning of the ...sion, the inter... ...etary scene over ...months has been ...ed with the long... ...lems of reforming ...rate system and ...hard-pressed less ...untries. Several ...anges have been ...ularly at the meet... ...nterim Committee ...national Monetary ...January. But in ...s the new moves ...y attempts to come ...what has already ...n particular the ...of the old fixed ...ngements, rather ...fundamental new

...changes—involving ...the IMF, legalisa... ...ng exchange rates ...ease in quotas— ...three years of negotiation, and, in particular, the strains caused by the build-up of the oil exporters' surplus. In the event, the problems for the banking system have been much less than initially feared, and indeed a surplus of $56.4bn. in 1974 was considerably smaller than some of the figures which had previously been mentioned. The surplus dropped to $31.5bn. last year, with consequently much less talk about recycling difficulties: the IMF about a month ago approved its final round of special oil loans (for a grand total of under $8bn.).

Serious

The rise in the oil prices has, of course, left serious continuing balance of payments problems for many countries, but the top place on the agenda in international monetary discussions over the last year has been the rate of recovery in the world economy and the issue of floating exchange rates. And the prospects of reform here have throughout been clearly dependent on the U.S. and France resolving their differences. The position after the IMF annual meeting last September was that the French still wanted the Fund's articles to remain strongly biased in favour of a fixed rate system, while the U.S. authorities were insisting upon both fixed and floating rates being treated as equally legitimate.

The impasse was effectively ended in November at the Rambouillet Summit meeting between the heads of Government of the U.S., Japan, West Germany, France, Italy and the U.K. At that meeting, the French and U.S. Governments reached a compromise on the exchange rate question in a memorandum which concluded that it was necessary to move towards more stable rate structures with a reduction of erratic fluctuations and more co-ordinated action by central banks.

This agreement, permitting floating but seeking to minimise market fluctuations, was codified in the proposed changes to the IMF's articles produced at the January meeting. The French view was accommodated to the extent that a country is allowed to maintain a fixed party, provided it is not tied to gold. And fixed rates can be reintroduced generally on approval by a 85 per cent. majority of the voting power of members, which leaves the U.S. effectively in a blocking position. The new article also provides for surveillance to ensure "clean" floating.

The strains which a floating rate system can face were soon illustrated by the sharp fall in the value of the Lira and closure of Italy's foreign exchange market at the end of January, which was part of its worsening economic and political crisis. This was followed in March by the turmoil associated with the sharp fall in the value of the pound—below the $2 parity with the dollar—and the pressures which forced France to leave the EEC "snake" only eight months after rejoining it. The latter move, in particular, showed the difficulties of having a halfway house between fixed and floating rates—reconciling attempts to try to manage individual currencies by national authorities and an overall goal of narrow margins in a joint float.

The problem has been the different rate of price increases of the countries in the float. Thus France's inflation rate has been nearly twice that of Germany since 1974 despite hopes last year that the differentials would narrow. The French had been hoping to stay in the "snake," and in February there was a joint Franco-German declaration that there was no economic justification for a modification of the Franc/D-mark parity. Market pressure forced a change of course, amid much recrimination, leaving the "snake" arrangement primarily as a group of countries which carry on most of their trading wi'h Germany.

Sterling also remained under pressure during March and early April, and its sharp fall illustrated the problem of disentangling what is an appropriate depreciation reflecting international price movements from other factors. The problems of managing a floating system still have to be resolved despite all the good intentions of recent international meetings of finance ministers. The urgent need has been for new international rules to cover exchange market intervention which go beyond merely the question of "constant competitiveness."

Apart from concern with intra-OECD exchange rate adjustments, the other main issue on the agenda has been how to help the poorest of the non-oil developing countries—and tied in with this have been the various discussions over the sale of part of the IMF's holdings of gold. Agreement in principle on the effective abolition of the "official" gold price and the sale of 25m. ounces (or a sixth of the IMF's holdings) to raise development funds was reached at the IMF annual meeting last September.

The gold sales have been highly controversial, and some of the developing countries, for example, argued that the scheme amounted to little more than a back-door device to enable the wealthier industrialised countries to replenish their central bank gold reserves on advantageous terms. This led to pressure from the developing countries for more generous credit facilities—a suggestion in turn rejected by the U.S. The poorer nations also maintained that the sums raised by the sales, less than $2bn. spread over four years, would reduce their collective balance of payments deficits by only 1 per cent.

Concessions

In the event, the less developed countries won a number of important concessions from the U.S. and Germany. The package eventually agreed at the IMF meeting in Kingston in January included an across-the-board increase of 45 per cent. for all four IMF credit tranches — benefiting industrialised borrowers such as Italy and the U.K. as well as the poorer nations. This scheme took effect immediately and will last until the member countries ratify the increase in IMF quotas some time in 1977. This temporary scheme is intended to give developing countries help at a time when they have been finding it difficult to raise finance from private borrowers.

The result of this arrangement is that member countries are now able to obtain loans as a first tranche equivalent to 37½ per cent. of their contributions with almost no restriction of their economic policies: previously unconditional loans were only equivalent to 25 per cent. of existing fund quotas.

The January meeting also reached formal agreement on

CONTINUED ON NEXT PAGE

OIL FUNDS

The shock absorbe

THE IMPACT of petrodollars on the world banking system has been fairly well absorbed. The shock effect on the system from the greatly enlarged surpluses of the oil producer countries after the major price boosts in late-1973 has not matched the fears expressed at the time.

The international monetary system has not been distorted out of recognition by the investment and deployment of very large funds by a few oil-exporting nations enriched suddenly at the expense of myriad petroleum users. "Recycling" through the financial system, as well as by more lending to developing—specially Moslem—states has helped to allow the big surpluses, $56.4bn. (£30.5bn.) at the peak in 1974, but little more than half that in 1975, to be relatively well accommodated.

This process has been assisted by the growing willingness of the oil states considerably to widen the scope, and lengthen the period, of their investments, so preventing the great mass of funds being funnelled into short-term deposits with all the disruption which that once threatened.

Yet the tremendous adjustments caused by the diversion in the ownership and placement of many billions of dollars have not been without their strain.

In particular, Britain, whose own balance of payments deficit has been much burdened by high oil prices, has latterly felt the impact of the tendency by oil producers to switch some of their pounds into dollars and other currencies.

Lessened

First Saudi Arabia, then Kuwait, and recently, to a degree, Nigeria—all among the largest oil producers—have shown a lessened disposition to hold sterling. After changes last year, the first two of these countries receive no payment in pounds, though Nigeria is still paid partly in sterling.

These alterations have played their part in the trend which has devalued the pound by more than a third in four years. They have also, in turn, been dictated to some degree by distrust of the full effectiveness of Britain's economic and counter-inflationary policies.

London, as a leading financial centre, has nonetheless continued to handle the deployment and investment of large quantities of petrodollars, principally now in foreign currency through the Eurodollar market. Even its share of this business has, however, dwindled as the chief oil producer states have steadily widened the range of banks through which they operate. More than 60 banks are now employed, compared with less than 40 eighteen months ago. This magic circle now includes some banks outside the U.S., Britain and Europe.

Although the investment surpluses of the oil nations are still large, they have considerably diminished over the past year—and that at a time when world inflation is eroding the real worth of money values. This decline has occurred despite a further rise in oil prices last autumn.

The Bank of England last month put the surpluses of the oil exporting nations at $31.5bn. (£17.6bn.) last year, compared with $56.4bn. in 1974, although the United States Treasury has estimated the figure a good deal higher, at $41bn., due to lower assessments of the producers' imports.

Morgan Guaranty Trust, the major U.S. banking group whose studies of the subject have attracted wide attention, is close to the Bank of England in its estimates, putting last year's surplus, on a slightly different basis of calculation, at $29bn., and predicting that the total petrodollar surplus for investment in the current year will be just a little less, at $28bn. (£15.6bn.).

Several factors underly this sharp contraction which has helped to render the surpluses, very large as they still are, more manageable by the international financial structure.

In the first place, the steep rise in petroleum prices has generated marked consumer resistance throughout the industrial West, particularly at a time of recession, to which the dearer oil has in part contributed.

Petroleum output of the Organisation of Petroleum Exporting Countries was more than 15 per cent. lower in 1975 than in the previous year and, despite price increases, total oil revenues rose only from $94.5bn. (£51.16bn.) to $105bn. (£57bn.) between the two years according to the Bank of England.

Much the most important factor in the near-halving in 1975 of the surplus left over for investment after all current expenditure was the unexpectedly strong upsurge last year in the imports of oil producers. Helped by some price increases on the part of the industrial world's exporters, as well as by a much larger volume of purchases, these imports showed a steep rise, the counterpart of which was the effective elimination of the combined payments deficit of the advanced Western nations.

One of the most worrying aspects of the petrodollar flow which built up so rapidly in 1974, after the first major oil price rises, was the tendency of the oil states to hold their cash in very short-term money market assets of high security. Typically, the outlets chosen were bank deposits with major banks and Treasury bills in the U.S. and Britain.

This preference, dictated by safety-first considerations, led on occasion to many millions, extending at times to billions, of dollars hitting the New York money market and the markets in high-class bills at one time. Special arrangements to absorb the extra short-term funds sometimes had to be made.

With more experience, and with the benefit of fuller high-ranking professional advice from London, New York, and certain Continental centres, the oil producer states—of which Saudi Arabia has by far the largest surplus—have accepted the need for greater diversity of investment.

The accent in the placement of funds still tends to caution and restrictiveness—most of all by Saudi Arabia, whose equity investment has been minimal in relation to her huge resources and confined to the U.S.

But the need to deploy funds in rather longer-term Government securities and in good class securities outside the Government sector—including the purchase of company bonds of up to about five years' term, notably in the U.S.—has now been accepted, even by Saudi Arabia.

This has helped to spread the impact of the petrodollars and to divide the demand for investment assets over a broader sector of the market in the U.S., Britain and the Continent of Europe. A more diversified investment policy, with a relatively larger accent on the U.S., Germany, and to some extent Britain, has for some time been pursued by Kuwait.

Spread

There was certainly a marked decline last year in the amount of petrodollar cash going into bank deposits and Treasury bills in the U.S. and Britain—a mere $1.4bn. or 5 per cent. of the reduced surplus, compared with $13.8bn. (27 per cent.), according to the estimates of Morgan Guaranty Trust. The reasons were that the oil States were well provided with this kind of short-term holding after the big build-up in 1974, and that some oil countries, whose surpluses were evaporating, had even to draw down some of their deposits.

Then, the relative improvement in the yield on longer-term investments, such as gilt-edged stocks, in several countries, compared with the low interest rates on short-term holdings, gave the former an enhanced appeal in 1975. As Morgan Guaranty Trust said in its March, 1976, issue of World Financial Markets: "There was a marked evolution in OPEC's investment preferences last year. Holdings of liquid external assets grew more slowly than in 1974, while those of longer maturity increased rapidly.

"Contributing to this trend was the large interest rate spread that developed last year in favour of long-term debt instruments, as well as the more favourable outlook in the U.S. equity markets."

With the weaker pound, additional investment by oil producers in sterling assets of all kind dwindled to only $0.2bn. (£0.11bn.) in 1975 from $7.2bn. (£4.2bn.) the previous year. Build-up of shareholdings, property and so forth was enough, at $0.3bn., slightly to offset a tiny fall in other items, but was well down on the $0.7bn. in 1974, when there were such notable acquisitions as the £107m. take-over of St. Martins Property Corporation by Kuwait.

The U.S. took $8.1bn. of the oil producers' investment last year, against $11.0bn. in 1974, a not greatly changed propor-tion of the smaller in total. But while there net addition to holding deposits, investment ir property and the like to $2.5bn. from $1bn.

Foreign currency de other countries rose tionately — as might b expected from the wic of the magic circle employed—though thei $5bn., against $9bn. was relatively down near-halving of the pe flow. Rising equity perty investments in particularly Germany, as more lending to d countries, was reflected to $12.1bn. from $1 1974 in what the England classes as bilateral facilities an investments."

One notable trend was the sharp contract amount of petrodolla ment through London currency via the E market.

This amount, which involve such exchang may be considered to holding sterling, h $13.8bn. in 1974, but only $4.1bn. last yea ingly heavy drop, sin is the centre of the I market.

Diminish

Dealers agree that t of petrodollar funds foreign currency in L tended to diminish. feel that Britain has, received a larger sh oil producers' foreign surpluses than migh They note that inflows currency deposits fro tinent have tended t siderable and some view that this includ ducer money, arrivin wider range of c banks now used.

Indisputable as it i total of petrodollar is running at a lower in 1974, the surplus continue to accrue at rates for some years t

Morgan Guaranty mated last October accumulated total of vested funds of the OI should reach "some than $200bn. (£180bn. or 1979. And that (t than once predicted, standard a truly formi for the world financial handle.

Margar

Changes

CONTINUED FROM PREVIOUS PAGE

the gold sales plan, under which the difference between the long-standing "official" price of $42.22 an ounce and whatever can be obtained in the market will be passed on to a special trust fund established to help the less developed countries. There has been considerable discussion about how the sales should be phased and whether the IMF should try and effectively ensure that there is a floor price under gold—and there has also been controversy over whether central banks should be able to buy as well as sell gold. The full details of the plan have still to be announced, but the IMF is likely to hold eight auctions a year over the next four years with the first at the end of May.

Following the meeting, Mr. William Simon, the U.S. Treasury Secretary, estimated that the combination of an increase in IMF compensatory arrangements for export shortfall, the proceeds of the gold sale, and the increase in credit tranches could raise the finance available to the non-oil producing less developed countries by up to $9bn. But he added that the real total would probably be much less because there is unlikely to be a full call on the credit tranches and other estimates have suggested that only $3bn. will be drawn this year. The U.S. Treasury has been taking a cautious line, warning that any further large expansion of easy credit might be self-defeating by stimulating worldwide inflation. The scale of the problem is underlined by estimates that the balance of payments deficit of the non-oil less developed countries could be as much as $31bn. this year.

GOLD

Waiting on the IMF

Check weighing a consignment of 400-ounce gold bars in the vaults of Johnson Matthey Bankers.

PECT of 25m. 775 tonnes) of d off by the International Monetary Fund over ile of years, and ty of further the U.S., have ntinuing restrainn the gold market nonths. Against ence, neither politics in sensitive world nor the rest which have n exchange mar r have produced reaction of re- eculative interest

wes, including the m. of its 150m. mbers as well as auctioning of a of its reserves, a depressing inmarket since they ast August. The the proposals at eeting in Jamaica cted the market the continuing out the way in s will be handled or factor in holdown.

ts, indicating that ill handle the illy and will enly enough, not to e down against ailed to provide ance. The fear a steady trickle coming on to the official sources, cation that major as the central e prepared to ically, in view of de to take gold monetary system, monetary ine market are if more important n they have been

oments in this , have coincided in which the fac- l helped to push up sharply over wo years had in a good deal of n particular, the mance of stock other alternative estment, coupled ect of a marked he rate of world markedly reduced of the metal for ast for the time

ult of this change ument last year ble reduction in old being bought and speculative kind of demand characterised by l to achieve a relatively short is distinguished traditional longdemand of the ar East, largely dominated the market during 1974. Last year, in contrast, investment demand played a much smaller part, leading to a fall in the price which has brought the value of the metal down by over a third from the peak of $195.5 an ounce reached at the end of 1974.

The supporters of gold received a series of setbacks during the course of 1975. One important source of disappointment was the U.S. market. There had been high hopes towards the end of 1974 that when U.S. citizens were allowed to buy gold there would be a strong demand for small bars which would provide further support for the price. In the event, such demand as did appear was concentrated on gold coins rather than bullion, and the banks which geared themselves up to meet the market found that their efforts hardly justified themselves. What activity has developed, particularly on the New York and Chicago gold futures markets, has been dominated by professional, rather than personal business.

The first of the U.S. official gold auctions underlined the point in January last year, with bids being made for less than half the 2m. ounces (some 60 tons) on offer and those mostly from Europe. The second U.S. auction, of 500,000 ounces in June, brought a stronger response and made less impact on market prices. Nevertheless, the gold price slipped back and went below the $170 an ounce level.

This fall produced another setback. Some sectors of the market had hoped that the January decision by the French authorities to revalue their gold reserves at around that level would effectively put a floor under the price, with the expectation that France would enter the market to hold it at that level. In the event, it became clear that no such support existed, and the realisation contributed to a further weakness in the price.

These events coupled with the IMF news in August, accounted for much of the weakness in the price of gold. There was also, however, a basic change in the relationship of demand and supply on the market. On the supply side, the amount of metal coming on to the market was significantly reduced. In spite of the fact that sales by monetary authorities, including particularly the U.S., made a major impact for the first time since 1968 it has been estimated by Samuel Montagu that total supplies to the market dropped back to 1,170 tons last year compared with 1,400 tons in 1974, a fall of over 16 per cent.

The declining trend in Western production of newly mined gold, which started in 1971 and which has formed one of the main foundations of the arguments of the gold enthusiasts, continued last year. Higher prices have the perverse effect, in an industry where production capacity is effectively fixed in the short-term, of reducing actual output as it becomes worthwhile to work lower-grade ores. Production in South Africa, the major source, fell by 50 tons to 708 tons. And with reductions elsewhere as well Montagu put the total production at 940 tons against 1,000 in 1974.

Unexpected

At the same time, there was a rather unexpected fall in the amount of Soviet gold coming on to the market. In spite of substantial purchase of grain, the Soviet Union's gold sales did not exceed 140 tons, compared with an estimated 230 tons in the previous year. It has been suggested that the low volume reflected the substantial loans raised by the Soviet Union on the Western capital markets to finance grain and other essential imports.

One effect of the reduction in prices last year, however, was to change the balance in the hoarding market. In 1974, the increasing price of gold encouraged a large amount of dishoarding in the Middle and Far East, contributing to the supply of gold to the market. Last year, however, dishoarding —estimated by Montagu at 36 tons—took place largely in the first four months of the year. Later, the lower prices were enough to attract renewed buying by these traditional markets. Industrial demand for the metal had fallen sharply during 1974 as a result of the higher prices and remained at a low level during the first half of last year. But in the second half of 1975 there was a strong revival in demand for jewellery in the Middle East, closely associated with the renewed hoarding interest. This brought heavy purchases of gold by manufacturers of jewellery in Europe with the volume of gold imported into Italy, one of the main suppliers to these outlets, rising by some 45 per cent. to almost 80 tons.

As in the previous year, a considerable proportion of the hoarding demand for gold was met by sales of newly-minted gold coins with the South African Krugerrand remaining the most popular. The total number of coins sold by the Chamber of Mines of South Africa amounted to 150 tons of gold, a rise of 50 per cent. over the previous year. It was, therefore, the decline in the level of net investment and speculative buying which lay behind the fall in price. Samuel Montagu estimated that speculative and investment holdings increased by about 220 tons during the year.

In contrast with a year ago, when some gold commentators were still confidently predicting prices well above $200 an ounce, the market is now in a state of considerable uncertainty and nervousness.

Much depends this year on the monetary situation; for if gold has been demonetised, it retains important monetary characteristics as a commodity and the recent changes have if anything increased its importance as an element in the reserve holdings of central banks.

In this situation, there is an element of contradiction in official attitudes, since neither central banks nor the IMF should obviously want to depress the price too far. For the time being, the market is likely to remain nervous and uncertain, though most experts would continue to predict that over the longer-term there will continue to be an increasing demand for the metal.

Michael Blanden

SUPPLIES AND OFFTAKE
(metric tonnes—estimates)

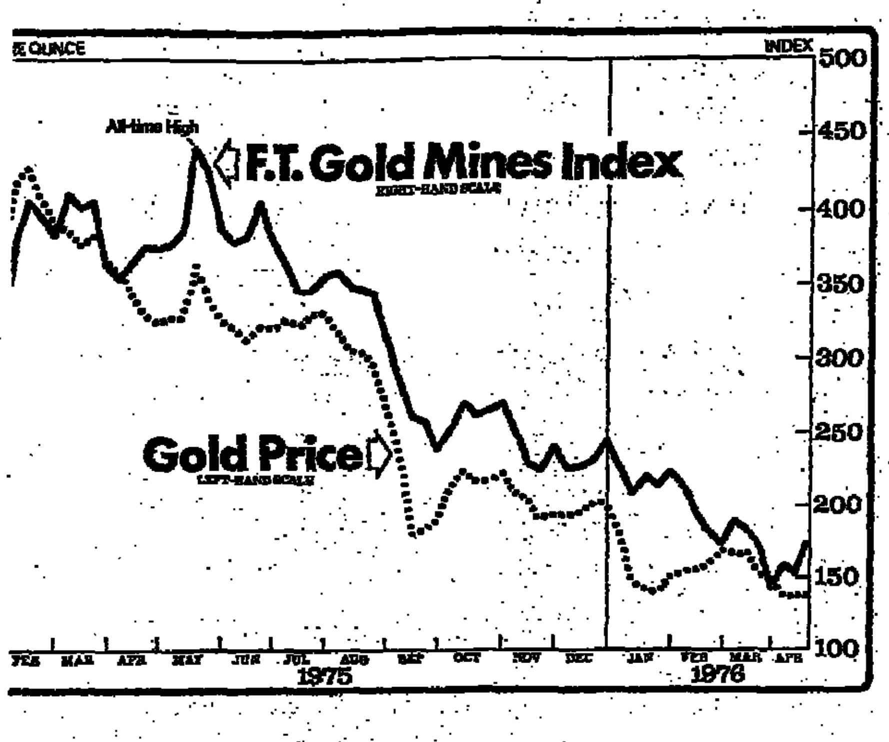
Supplies	
New production	940
USSR sales	140
Other sources	90
	1,170
Offtake	
Europe	460
U.S.	145
Far East	160
Middle East	100
Rest of world	85
Investors (say)	220
	1,170

Source: Samuel Montagu.

GOLD PRODUCTION
—excluding USSR)

	1975	1974	1973	1972
......	708.1	758.5	852.2	909.7
......	51.0*	53.4	60.0	64.7
......	32.1*	35.0	36.2	45.1
......	14.0*	16.3	17.1	23.5
......	18.2*	20.0	22.7	22.5
......	15.8*	16.7	17.7	18.8
......	20.0*	20.0*	15.5*	15.5*
......	6.0*	6.2	6.7	7.5
......	4.2*	4.2	4.0	4.5
......	10.5*	8.3	5.6	5.8
......	3.5*	4.0	4.2	2.5
uinea	19.0*	24.0	16.5	12.4
......	1.5*	2.0	3.0	3.1
......	36.0*	31.4	30.6	21.4
......	940.0*	1,000.0*	1,092.0*	1,157.0*
......	75.3%	75.9%	78.0%	78.6%

* Estimated or provisional figures.
: Union Corporation and Samuel Montagu.



MONETARY UNION

The goal is far away

AS HEADS of Government left the EEC summit in Luxembourg earlier this month, M. Gaston Thorn, the Council President, formally reaffirmed that the Nine were still committed to economic and monetary union backed up by a common currency. He did not say by when. Nor did anyone appear to pay very much attention to his statement. Over the years since the objective was first propounded at The Hague summit in December 1969, the commitment to economic and monetary union has become one of the more discredited of the Community's ambitions.

To-day, the Nine seem further from the ultimate goal than the Six were in 1969. The original grandiose design of step-by-step progress to full union by 1980 has been brushed aside, and the Nine Governments are having enough difficulty grappling with the short-term problems of inflation and unemployment without trying to plan for the longer-term future. The principal instrument of monetary integration, the jointly floating currency "snake", has again been effectively reduced to a D-mark zone with the enforced departure of the French franc, and there is no inclination, except in Paris, to try to reorganise it into a Community-wide experiment.

But the most immediate reason for the scant attention paid to M. Thorn's statement was that only hours before he spoke the Nine Heads of Government had dismally failed to agree on new guidelines for the co-ordination of economic policies, which virtually everyone now agrees must be the next step towards further integration. The old arguments between "monetarists" and "economists," which dominated the debate over economic and monetary union in the early 1970s, are no longer heard. Even France, the former "arch-monetarist," is becoming increasingly half-hearted about pushing forward new monetary ideas.

French proposals for new monetary devices have had a high failure rate in recent years. Not so long ago, Paris was all for "bridge-building" between the countries that were "snake" members and the non-members; last year, France was insisting on the fixing of an EEC dollar rate between the "snake" and the dollar to prevent the "snake" currencies floating too high against the U.S. currency. There were no takers for either proposal. But the clearest sign of the times was the fate of the latest French monetary initiative, which fizzled out even before it left the launching pad.

Flexible

A few days before the latest summit, France privately circulated a plan for making the rules of the "snake" more flexible, bringing all Nine countries into it, and supporting it with pooled reserves. The plan met a negative response in London, and outright hostility in The Hague and Bonn. Apparently taken aback by the strength of the German opposition, President Giscard d'Estaing decided not even to mention it at the summit. Moreover, with other Heads of Government clearly expecting an initiative, he was forced specifically to deny that he had ever intended to make one.

The incident underlined, if further proof were needed, the all-powerful role of Germany in EEC economic and monetary policy formation. There will be no progress unless Germany allows it, and Bonn's conditions are crystal clear: in the specific economic and monetary field there can be no further integration until the countries with weak economies have applied sufficient discipline to put their houses in order; more generally, there can be no real transfer of resources inside the Community from richer (that is, Germany) to poorer (Britain, Italy and Ireland) unless the other members are prepared to agree to further political integration, for example through direct elections to the European Parliament. If Germany is to continue to pay for the Community, Herr Schmidt, or any other German Chancellor, must have something to show the electorate in return.

Herr Schmidt would like the necessary economic discipline to be administered by the Community, but he is realistic enough to see that other Governments find this extremely difficult politically. It will be enough, in German eyes, if the weaker countries succeed in imposing strict discipline on themselves unilaterally, and there was much talk of this at the Luxembourg summit. The idea is clearly much more palatable to the U.K.—Mr. Wilson was able to go along with it at the summit precisely because it avoids the suggestion that control over the economy has been handed over to Brussels.

But it will obviously be difficult to arrive at any real degree of genuine economic policy co-ordination in the Community so long as each Government is entitled to fix its own objectives and then assess whether it has achieved them. Indeed, this approach has been largely responsible for the failure of most of the EEC's attempts to co-ordinate economic policies in the past. A discussion of policy co-ordination at Ministerial level is often no more than a recital by each Minister of how splendidly his own country is doing. When targets or guidelines are agreed, they reflect what each Government individually thinks it could or should be doing anyway, rather than the outcome of a centrally worked out plan.

All this makes the fate of the Commission's latest proposals for policy co-ordination fairly predictable. The Commission, perhaps rashly, sprang a recommendation on the summit that would actually provide for penalties to be imposed on countries that defaulted on policy commitments. The first element of the Commission's proposals, that commonly agreed policies should be made binding on Governments, is far from new. But the Commission went on to suggest that countries which failed to meet their obligations should be required to justify themselves to the Council of Ministers. If they failed to do so, "sanctions" would be imposed, probably by a cut-off of EEC money from the Social, Regional or Agricultural Funds.

Commission officials claim the procedure is no more radical than the rules for the granting of IMF loans, and point out that even Community loans, such as the recent operations in favour of Italy and Ireland, have strict conditions attached. But there is little chance of convincing the member Governments. Germany, which found the idea at least superficially attractive, immediately realised that other countries would never wear it, and a senior member of the British delegation at the summit described the proposal as "cobblers." The British view remains that the only thing that can usefully be discussed at Community level is unemployment, and anything smacking of economic and monetary union is irrelevant.

Against this background, it is hardly surprising that even the Commission, which until quite recently was still reaffirming the 1980 target date, has now given up making long-term proposals and has switched to a more pragmatic, piecemeal approach. President Ortoli reckons that it would at least be progress if the Nine set up the proposed Export-Import Bank and a new economic forecasting institute, and perhaps do something about greater co-ordination of interest rates. But the Commission is not planning any major new blueprints, nor does it think that tinkering with the "snake," along the lines proposed by the French, would be either feasible or desirable.

Attempt

Meanwhile, the Nine have once again promised to make an urgent attempt to harmonise the basis for levying Value Added Tax, where they are way behind schedule, and extend the use of the new market-related unit of account, which could be the beginning of a "parallel" currency. These are both nuts and bolts issues that have to be tackled to clear the way for further integration at a later stage. But the main lesson that has been learned from the last few years is that further integration is not in fact going to be possible so long as th states' economies co diverge so widely. might conceivably b with only one major e difficulty, but the Con not strong enough to weight of both Britair at once. It is this sit prompted Mr. Leo T the Belgian Prime M suggest a new appro report on Europea earlier this year. Thos in a position to do so, should forge ahead, l others to catch up lat immediately denoun cularly in Britain, Ireland, for advocatir tier" Community, and that there would political opposition to adoption of such a sc

The problem ne remains that there is already a "two-tie munity, with the "sn tries in one tier and snake" countries in t or perhaps even a " Community if France a special category—a no immediate prosp gap between them significantly. That necessarily mean tha goal of economic anc union must be tot doned. It does prob however, that there to be at least a breat in which the Commu best hope to mark ti a fresh start can be

Regin
Euro

THE CITY'S PROSPECTS

Stronger competition

THE CITY of London has maintained its position as a major international banking centre despite the continued fall in the value of the sterling and the impact of the removal of restrictions two years ago on U.S. capital exports. However, London's future as a leading international market is now related far less to the availability of domestic (sterling) finance than to its role as a centre for non-sterling finance notably in Eurocurrencies and Eurobonds.

The sterling market is still, of course, of considerably greater importance than the domestic currency markets of many other countries—and received a fillip in 1974 from the expansion of the oil surpluses of the OPEC countries. However, London's attractions in this area are obviously tied in with the fortunes of the U.K. economy and the exchange rate.

In 1974, the U.K. accounted for 37 per cent. or \$21bn. of the oil exporters' surpluses, according to the Bank of England's figures, but last year the proportion dropped to 13¾ per cent. (or \$4.3bn.) out of the much-reduced surplus of \$31.5bn. There was a reduction in holdings of Treasury Bills over the year and much-reduced purchases of British Government stock, almost entirely in the first half of the year: overall there was a negligible change in sterling investments during the year.

Uneasiness

However, non-sterling deposits held with banks in London still accounted for nearly a half of the \$9.1bn. held in bank deposits around the world. Although there has been evidence of some uneasiness among major holders of sterling this year, there is no suggestion at present of any total withdrawals. Apart from the continuing sizeable uncovered interest rate margin in favour of the pound, political factors are also likely to affect the distribution of the surplus between London and New York, and other growing centres.

The other main question over the last couple of years has concerned the City's role as the leading Eurocurrency centre. Uncertainties over the size of the market as a whole arose in particular during 1974 following the failure of the Herstatt Bank in Germany that summer. While the relative impact was undoubtedly greater in the less well-established centres, there was also a very sharp fall in the absolute level of business—of between \$11bn. and \$12bn. in three months. But the market soon proved its resilience and was growing again. Indeed, according to figures published by the Bank of International Settlements, the external foreign currency liabilities of commercial banks of the leading eight European countries increased at a rate of nearly 20 per cent. during much of 1975.

Within the broad question of the size of the Euromarkets, there is also the specific issue of London's position vis-a-vis other centres. Banks in the U.K. certainly seem to have maintained their share of Eurocurrency markets with a proportion of slightly over 50 per cent. towards the end of last year.

The question was really raised two years ago when the U.S. authorities removed the Interest Equalisation Tax and altered the Foreign Direct Investment Guidelines. It is still difficult to calculate the exact impact but it seems likely that a number of issues which might have previously been arranged in Europe are now being negotiated in New York. But there has certainly been no dramatic change, or sharp increase in borrowing by foreign organisations in New York, with the exception of the Canadians.

This partly reflects the continuing impact of a number of regulations which still act as a barrier to entry. In private sector foreign wishing to tap the market have to go t the complexities of with the Securi Exchange Commissi are also problems with the U.S. rating and comparatively fe companies would att ings from the two U.

But underlying the a distinction for between London and London has in n become the natural dealing in the E market because geographic ties wi

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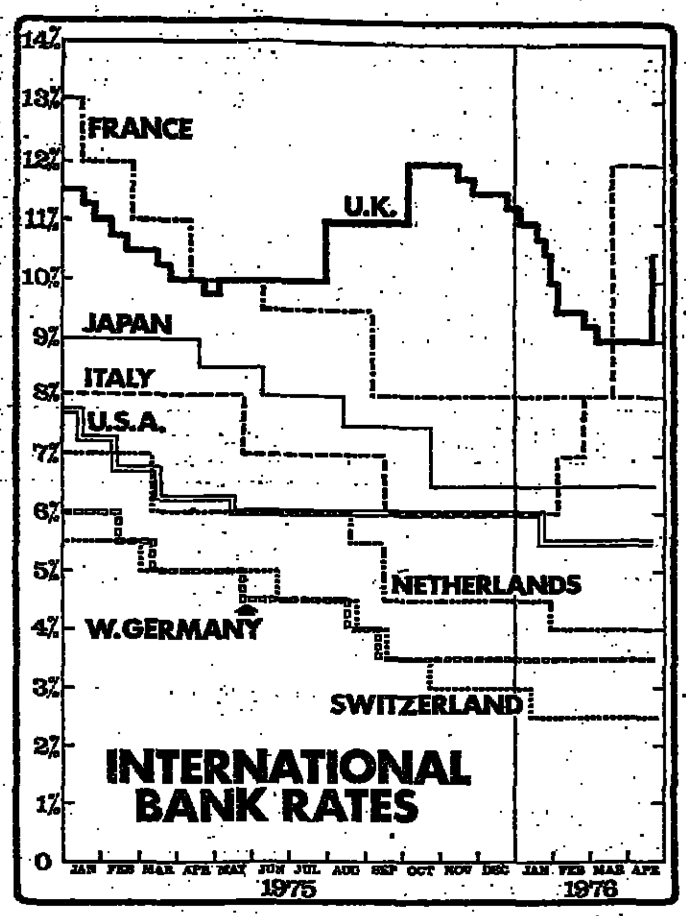
WORLD BANKING V

INTEREST RATES

A steady decline

ED 1½ per cent. ank of England's ing rate on Fri- reminder of the the U.K. and of cternal pressures. de clear that the ated by the need sharp decline in terling and keep rs of the pound than by domestic Indeed, on most , at a time when ust entering the of the economic ensible reaction eep rates as low

moreover, is eneral trend in e over the past rlying movement tes during this advanced coun- clearly down- ain factors have a fall in the cost reduction in the de inflation from ed in 1974, when ses were making ious impact, has ally possible to wn. At the same recession in the my has encour- nments to allow to help stimulate ery and specific- investment.



n the U.K. has been interrupted sions as a result iculties, and the ng rates has been niform.

ental Europe has ecline in the level hout the year. as s have been in the U.S., nomic recovery ther pace rather Europe, the fall uninterrupted. le all the main seen a reduction, rences between els of rates in ies reflect the es of success in ation and vary- economic policy.

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illustrates the the economic e various coun- velopments over ave been guided actors. Govern- n anxious to see tion in rates to but this aim has d to varying trong awareness that too easy a money supply the inflationary The caution has ustrated in West e rates have been external reasons. e approach to nsion has been lar features are apparent in the U.S., where the monetary authorities have set themselves a target designed to permit economic recovery without encouraging renewed inflation.

At the same time, the policies of individual countries have in a number of instances been considerably affected by external considerations. Italy's decision to push rates up last month was clearly related to the extreme weakness of the lira. In the U.K. particularly, the problems of the pound and the need to maintain a reasonable differential over competing rates in New York in order to protect the external position have been a major policy factor.

The trend of rates in the U.S. became a dominant influence on U.K. policy in July last year. After a downturn in the first part of the year, U.S. prime lending rates were down to 6¾ per cent. But they began to move up again against the background of an apparent seasonal recovery in demand for bank loans and official monetary restraint to reach 8 per cent. again in September. Meanwhile, in Britain minimum lending rate and bank base rates had dropped steadily, and the renewed rise in New York threatened to narrow the differential to an unacceptable degree and attract funds out of London.

At this point the Bank of England stepped in. Using its influence over the money market, it engineered a sharp 1 per cent. jump in MLR to 11 per cent., making it quite clear at the time that the move was designed not for domestic economic purposes but simply to help protect the pound. The reversal of the previous trend was taken a stage further in October, when rather unexpectedly the Bank stepped in to engineer another 1 point rise, taking MLR up to 12 per cent., a level not seen since the beginning of last year.

At that time, however, the motives were more mixed. There was continuing concern over the external situation with little sign of a reversal of the rise in U.S. rates. But at the same time there was growing anxiety over the domestic economy. The banking system was exceptionally liquid, and the authorities had been able to tap this source of funds through large issues of Treasury bills to help finance the Government deficit. However, there were signs that the market's appetite for bills was drying up. And there was growing concern that, once the private sector demand for bank credit began to pick up, the high-powered liquidity in the banking system would lead to a renewed inflationary growth of the money supply.

There is, in fact, little evidence that either the lower level of interest rates currently or the incipient economic recovery is so far leading to any substantial increase in industry's demand for bank loans. At present, in Britain and the U.S., the signs are that the gentleness of the pick-up in activity and the continuing caution over inflation is holding back the development of strong new investment and corresponding bank borrowing.

Certainly in Britain, the evidence is that the level of interest rates has had little impact, either adverse or favourable, on industry's investment and borrowing decisions. Recent figures have shown a very depressed level of lending by the banks to industry, and current thinking in the banks is that there is now unlikely to be any substantial improvement much before the end of the year.

This has made the banks reluctant to consider short rises in their loan costs. MLR came down rapidly in the early months of this year to end up at 9 per cent., a full 3 per cent. below its peak 12 per cent. At the same time bank base lending rates moved down from 11 per cent. to 9½ per cent. Concern over the money supply situation was at least temporarily alleviated by the success of the Bank of England in selling very large amounts of gilt-edged stocks to the non-bank public, which kept the level of money stock more or less stable until January. The drop also brought a long-awaited reduction in building society rates.

Within the general pattern of interest rates internationally, therefore, the U.S. and Britain have tended to move in step—with a differential, while in Continental Europe the fall has been more or less uninterrupted, with the special exception of Italy.

Currently, however, the probability appears to be that U.S. rates will turn up again later this year, as demand for bank finance increases against a background of fairly restrictive monetary beliefs. Recent developments have brought some economists there to the view that the upturn could come sooner rather than later.

Meanwhile, the U.K. authorities are hoping that the sharp hike in rates will be only temporary, as a measure specifically to help sterling without seriously damaging the internal situation. Even if it proves possible to bring rates down again however, the recent events have highlighted the difficulty of conducting internal policies in isolation from external factors.

Upwards

There is clearly a fine balance to be struck in the handling of domestic policy itself. The policy has been to try to hold the growth of money supply to levels somewhat below the growth of money gross domestic product, in order to contribute to the counter-inflation policy without inhibiting a revival of economic activity. The Chancellor of the Exchequer spelt out in his Budget speech his aim that the growth of money supply should not fuel inflation and should be "consistent with my plans for the growth of demand expressed in current prices."

He added that if it became clear that this aim was not being achieved, he would be ready to use "the appropriate mix of policies—not necessarily monetary policy alone—to redress the situation." The problem is summed up in the shorthand phrase "crowding out," implying the danger that the demands of the public sector for borrowing could limit the availability of resources for the private sector—with the threat either that money supply would again get out of hand or that a sharp rise in interest rates would come just at the time when industrial recovery was gaining strength.

Michael Blanden

City

CONTINUED FROM PREVIOUS PAGE

residents who may want to be involved in dollar dealings. The City's long-standing role as a financier of world trade and with the former sterling area has, of course, been of considerable importance, providing an expertise which can be taped.

It can be argued that the two centres in effect have different roles—London as the main place for the tapping of the large Eurocurrency pool and New York as the focus for dollar borrowing, being particularly geared for the high volume of domestic capital issues and long-term fixed-interest bonds. Moreover, Eurodollar borrowing can be relatively cheaper since the spread between deposit and loan rates can be closer than in New York since no reserves are required. Of course, this is partly offset by the fact that there is no lender of last resort in the Eurodollar market, though the leading central banks have now indicated that support would appear if needed.

The distinction of role is less clear-cut in the Eurobond market which is very much smaller and less liquid than the vast domestic U.S. bond market. There are likely to be an increasing number of foreign bond issues in New York though non-U.S. investors may still prefer the Eurobond market because of their desire to avoid the U.S. withholding tax and, as mentioned above, borrowers can escape the costly SEC registration procedure.

So the various Euromarkets appear to have a continuing role in which London will have an important place. Although in 1975 (for the first time since the war) the number of foreign banks in the City of London declined, the total is still, of course, way ahead of other centres and no U.S. bank with a full banking operation in London has shown any intention of leaving.

Evidence

However, there is undoubtedly strong competition from other Eurocentres outside the U.S. and some evidence, to judge by the Federal Reserve's statistics, that U.S. banks are putting less of their overseas branch business through London than previously. (There are, incidentally, indications also that domestic merchant banks are less prominent as lead managers and co-managers in Eurobond issues than they were in the early 1970s.)

There are a number of influences in the longer-term—but balancing the obvious attractions of the City have been problems over tax treatment (partly cleared up a few months ago) and the rapidly increasing cost of rates, rent and salaries. One estimate suggested that the overall operating costs of an average U.S. bank rose by roughly 30 per cent. last year, which has had an effect on the more marginal state banks. But the attractions of being fully represented in London were underlined recently when the Deutsche Bank turned its representative office into a full service branch.

Peter Riddell

EXPORT FINANCE

The banks' key role

TOTAL U.K. exports for 1975 amounted to some £19.8bn., while for the first two months of 1976 they were running at around £3.6bn.—or close on a fifth up on the first two months of last year. These figures give some indication of the sort of sums that change hands whenever export finance is needed. And because of the sheer weight of the money involved it is equally clear that the greater part of this financing can only flow from the major clearing banks.

Export financing has long been big business to the banking comunity and the range and depth of its services to industry and commerce is impressive. The banks are willing and able to advise on the best way to discover overseas markets as well as on the various methods of selling goods and services abroad.

The banks also excel when it comes to smoothing the flow of documentation. Paperwork can be a particularly nasty headache when commercial frontiers are about to be crossed; the prospective exporter has to come to terms with a multitude of restrictions, starting with exchange control. He has to pick his way through the small print in a number of contracts and insurance forms. And finally there is the actual method of financing itself.

The exporter is quite likely to incur many expenses and delays before he receives full payment for his goods, and the clearing banks offer various schemes aimed at overcoming these difficulties. In addition to normal short- and medium-term overdraft facilities, finance is available from specialist companies. Roughly half the export financing undertaken by the clearing banks is done in conjunction with the Government-controlled Export Credit Guarantee Department—which is not surprising given the attractive terms on which exports can be financed once they have the backing of ECGD insurance cover.

The ECGD was created to encourage U.K. exporters by offering protection against the risk of non-payment. The insurance offered by the ECGD covers two broad categories of risk—the creditworthiness of the overseas buyer and the political and economic risks of the country concerned. ECGD insurance does not cover risks normally insured by commercial insurers—fire and marine risks, for example. Premiums generally depend on the market involved—and to a certain extent on the exporter—as ECGD will increase premiums where they are subject to excessive claims.

Share

Understandably, the exporter is expected to share in the risk of his transaction, and therefore the extent of ECGD cover is limited to less than 100 per cent., generally about 90 per cent. In certain circumstances the banks are able to extend policy management services in respect of ECGD insurance cover.

But the main attraction to the exporter of ECGD cover lies with subsidised financing. For export credit of two to three years the banks are able to limit their interest to ½ per cent over base rate, whereas normal commercial rates would probably be between 1⅝ per cent and 2 per cent over base rate. For credit of between two and five years there is a fixed return of 7½ per cent. which is in fact a full two percentage points below the present 9½ per cent, base rate.

The point here is that ECGD cover insures by 100 per cent. any export finance the banks advance, and this guarantee from ECGD is unconditional. Credit insurance was introduced by the Government in 1930, since when demand has grown rapidly. In 1949-50, exports from the U.K. totalled £1.9bn. of which 11½ per cent. was insured by ECGD. By 1974-75 the department's share of the total U.K. export credit market had risen to very nearly 34 per cent. of exports amounting to £17.5bn.

One problem the banks have had to grapple with in recent years is foreign currency fluctuations. Thus increasing competition and instability in the foreign exchange markets mean that the U.K. exporter has to quote prices and accept payment in a foreign currency and in so doing shift the exchange risk on to himself.

The exporter can in fact cover this risk by arranging forward contracts with a bank—and by doing so he may even be able to increase his profit-margin or at least find himself more competitive because he will know just how much payment will be received, enabling sales prices to be calculated more easily. The banks can convert foreign currency payment into sterling at a fixed rate regardless of what the current rate may be.

Many countries have restrictions regarding the type of goods which they will allow to be imported as well as the amount of foreign currency which can be made available for their payment. The banks are in a position to discover swiftly and at modest cost just what are any given set of current regulations.

Certain countries that take exports from the U.K. do not have enough sterling to pay for their essential imports. At such times, even though the overseas buyer has sufficient funds, the exporter cannot expect immediate payment. In this sort of case the accepted practice is for the overseas buyer to pay for his goods in local currency when he receives shipping documents. This money is lodged with a bank and the exporter is paid only when the exchange has been allotted. This lapse of time can often extend for some months.

Thus the banks play an important role in the negotiation between an overseas buyer and a U.K. exporter. The simplest way for an exporter to receive his money is for documents of title to be sent direct to the overseas buyer, who could then pay by means of cheque or money transfer. This is known as an open account, and it can involve serious risks.

For example, a cheque might be returned unpaid—either because it does not satisfy exchange control regulations or through a lack of funds on the part of the overseas buyer. This would delay settlement, and in extreme cases cause settlement to fail. As the goods would presumably have been shipped their recovery could prove a costly and complicated business.

Goods can be shipped on a consignment basis. In this case there is no specific sales contract and payment is made by agent only when the goods have been sold. But as with an open account the exporter is parting with his goods and relying on a foreign buyer to pay when the amount is due. A safer way of payment is a method where the exporter has control over his shipments until payment is made. Banks would urge the use of the collection basis, and better still through documentary letters of credit.

The latter is perhaps the surest and most prompt form of obtaining payment for goods exported. The overseas buyer agrees with his bank to instruct a U.K. bank to pay the exporter providing he presents documents that conform the instructions and d specified in the do credit. In order to a tually total protecti non-payment, expo demand irrevocable credit by one of t banking houses in th means that the confi warrants to the ex the letter of cred honoured irrespecti might happen either seas buyer or to th bank which the for originally instructed.

Jeffrey

INTERNATIONAL MARKETS

Slowdown in activity

THE EVENTS of the last two years have profoundly altered the structure of international banking. Moreover, although the climax of the strains and stresses in international banking was in 1974, there is no sign that the changes which were set in train will be reversed.

The reasons why the changes are likely to prove permanent lie, perhaps, in the longer term trends of previous years rather than in the immediate crisis associated with the closure of Bankhaus I. D. Herstatt and the crippling losses incurred by banks in many industrial countries on property lending and on the foreign exchange markets. The long-term trend had been a massive expansion of banking business in general and of international business in particular—an expansion which had cut the ratios of banks' equity to total assets to levels below which they could not be cut any further and which had also seen the foreign share of the assets of the world's major banks rise from tiny proportions in 1960 to well over 50 per cent.

Expansion could not continue: new loans now have to be provided from the proceeds of repayment of earlier loans except insofar as banks are able to increase their capital. At the same time the scale of international banking transactions multiplied. On top of the existing tendency towards increased concentration internationally on financing huge investment projects such as the development of the North Sea oil and gas reserves came the multiplication of balance of payments deficits as a result of the oil price rises.

The crisis of confidence after the Herstatt collapse concentrated deposits in the hands of the biggest banks, thus inducing a multi-tier structure in the international inter-bank markets as smaller banks had to bid higher rates in order to attract deposits. This in turn reduced the smaller banks' capacity to participate in the biggest single area of the international banking business—syndicated lending—where the rates paid by the borrower are calculated by reference at best to the average rate of inter-bank interest rates, and more usually by reference to the rates at which larger banks offer funds.

This multi-tier structure persists to-day, though the differentials between the rates paid by big and by small banks has narrowed.

The coincidence of these various trends with the international banking crisis of mid-1974 posed various questions for the future of international banking. Now, nearly two years later, it is perhaps possible to see some of the directions in which the situation is developing.

One important point which is so obvious that it is seldom made is the slowdown in the extent to which banks are setting up new offices overseas. Although certain areas such as the Middle East are still candidates for expansion on a significant scale, and although some of the world's major banks (particularly Continental European banks) under-represented o own countries, the international bankin substantially. comp will doubtless cont filled over time, but in the establishme branches and re offices by internati will surely not occu

The second is a s new lending in gen seems little likelih U.S. banks in partic ing the share of th capacity which the international busin many argue that wh awaited expansion American economy could even be a sl increasing the pr new loans which companies within th are signs that th banks—which sh interest in parti syndicated loans be are increasing th

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FOREIGN BANKS in LONDON

City's status maintained

Bank opened ch earlier this ch, the bank's ne of the most s in West Ger- d: "London is n the world in usiness, be it ng, commodity , insurance and ring facilities. nent opportuni- ch added that as a financial only be main- l be enhanced, t is towards the and the bigger ty could hardly glowing testi-

ie statistics of tional financial sive. According a total of 244 countries are ted in the City. no direct repre- old stakes in m banks. Alto- ign banks are ondon. Of those ted, 152 have banks are from r a third come

) largest banks ly 17 are not ted in London. ese have stakes nks; so in fact top 100 banks in London in ther. In addi- out of the 50 the world do not have full banking operations in London.

It is not often realised that *foreign bank branches in London control more than twice as much money (£71.8bn.) as the London clearing banks* (£32.1bn.). American banks alone account for £36.8bn. and Japanese banks account for £12.1bn. The bulk of foreign banks' business is in the Euro-currency markets. They manage $140bn, or 80 per cent. of all U.K. banks' foreign currency liabilities. They provide 57 per cent. of the foreign currency requirements of the U.K. public and private sectors.

Their role in the sterling market is nowhere near as important but is still significant. Total sterling deposits amount to £6.6bn.—15 per cent. of the total. This is just under a third *of the London clearing banks* sterling deposits. Sterling advances amount to £3.1bn.—twice the figure for the Scottish clearing banks and over four times the figure for the accepting houses.

Such figures underline the City's importance but not all bankers are as enthusiastic as Mr. Ulrich about the future. Dr. Michael von Clemm, of Credit Suisse White Weld, concluded at a recent *Financial Times* conference that "while the City is apparently holding its own as a pre-eminent financial centre, its prospects for continuing in this role have not been as dim as they are to-day since World War II."

For the first time since the massive expansion of international banking began in the 1960s more foreign banks closed their London offices than opened them in 1975. The number of new banks moving into London slowed down appreciably last year and four small Swiss banks and four regional U.S. banks left London. Their departure has gone virtually unnoticed and there are certainly no signs that any major international bank intends to withdraw from London.

Closed

Nevertheless, some of the major American banks are *clearly re-thinking their role in* London. Some have decided to drop unprofitable personal banking services. Chase *Manhattan* is in the process of closing its Knightsbridge branch and will cease offering teller services at its Berkeley Square branch from June. Citibank has closed its West End branch in Bruton Street and its small City branch in Moorgate.

On the wholesale side certain bankers perceive a gradual reduction in London's predominant role in the Euro-markets. Fred Schwartz, who heads Bankers Trust's Euro-currency syndicating activity, believes that "decision-making appears to have moved from London in the direction of the customer."

Over the past two years some American banks have had to mount expensive support opera*tions for their fledgling mer*chant banking subsidiaries (set up in the halcyon pre-Herstatt era) which ran into problems in areas such as U.K. property lending. Marine Midland, for instance, specifically mentions, in its latest annual report, the adverse impact of the London merchant bank on its own earnings.

As a result, head offices are exerting much tighter control of their London affiliates, the emphasis on domestic U.K. business has been dropped as has the *concern for growth per se. Most* are now following the successful example of Citicorp International Bank and Manufacturers Hanover and developing into the syndicating arms of their parent banks—concentrating on fee incomes rather than balance-sheet growth.

Apart from loan loss problems a perennial worry for the foreign banking community is the continuing rapid growth in U.K. operating costs. London's costly office accommodation is no secret. Prime office space is twice as expensive in the City as in Paris and four times as expensive as in Frankfurt and *Brussels. In addition phone and* telex charges are rising twice as rapidly in London.

Against this must be set the markedly lower level of London salaries compared with Conti*nental and North American* financial centres. In fact Dr. *von Clemm argues that since* salaries are such an important element in total operating costs, London is in reality no more expensive than competing financial centres and is certainly not pricing itself out of the market.

A much more serious threat to London's long-term future is the steady rise in U.K. taxes. Bankers' grievances centre on the recent increase in U.K. corporate tax from 40 to 52 per cent. and the Inland Revenue's insistence that a profit be attributed to U.K. funding operations.

As a result more and more business is being booked out*side London. Over the past* year the foreign banks have managed to win some concessions from the Revenue. In November the Government announced that it would put foreign bank branches on the same footing, with respect to foreign tax credits, as British banks. Before this, U.K. banks had a built-in cost advantage when quoting for loans in certain countries.

Concessions

Despite these concessions the Inland Revenue appears determined to increase the tax burden of the foreign and consortium banks in London. The possibility of taxing dollar-*denominated subordinated debt*, which has appreciated in value against sterling, has caused con*siderable dismay. In the case* of a bank such as London *Multinational, whose dollar* subordinated loan stock rose by £1.6m., during 1975, the *Revenue is demanding an extra* £508,000 tax on top of the £1.1m. in corporation tax. This has the effect of turning the bank's 31 per cent. gain in after-tax profits in 1975 into a 35 per cent. fall. Roughly half London's consortium banks are affected, as are some of the U.S. merchant banking subsidiaries.

The banks are steadfastly refusing to pay the extra tax and have taken the issue to counsel. Even if, as most people expect, the banks win their case, *foreign bankers are amazed* that the Revenue could even contemplate such a move. Many agree *with Stan Yassukovich's* view that "the high rate of U.K. corporate tax is probably the greatest deterrent to new organisations coming to London."

No one is expecting a mass exodus of foreign banks from the City. Indeed, it would be very surprising if any major bank planned to withdraw. Nevertheless, there are signs that for reasons of tax, operating costs, or whatever, London's relative importance is declining. At a minor level it can be seen in the fact that several Lebanese banks such as Banque du Liban et d'Outre Mer have picked *Paris rather than London* as a temporary refuge until Beirut returns to normal. *More important, however, is the* fact that the number of foreign banks in New York (though far less than in London) is growing far faster.

In terms of actual business there can be no denying New York's increasing importance. Since the ending of capital controls in 1974 American banks' foreign lending from head office has increased by 114.2 per cent. to $57.2bn. (end-1975). By comparison U.S. banks' London branches had only boosted their lending by 20 per cent. to $73.9bn. Even though U.S. *banks' foreign branch lending* is growing considerably more slowly than home office foreign *lending, London's performance* is still well below average.

In the first 11 months of 1975, for instance, U.S. banks in London increased their assets by 5.9 per cent. to $73.9bn. while U.S. bank branches in the Bahamas and the Caymans increased their *assets by 40.1* per cent. to $44.4bn. If this growth continues U.S. bank *branches in the Bahamas and* the Caymans will overtake those in London by 1978. To put London's decline in perspective, in 1969 U.S. banks' foreign branch assets in London were more than eight times larger than those in the Bahamas.

William Hall
The Banker

LONDON'S FOREIGN BANKING COMMUNITY, 1870-1976

Year	Total	U.S.	Japanese	European	Other foreign
1870	10	—	—	2	8
1914	29	3	1	8	17
1950	53	7	4	19	23
1960	77	10	8	28	31
1966	103	14	12	34	43
1967	109	15	12	37	45
1968	125	23	12	39	51
1969	144	32	12	45	55
1970	159	37	13	50	59
1971	172	40	15	53	64
1972	202	50	19	60	73
1973	226	53	21	76	76
1974	248	61	23	84	80
1975	244	57	23	86	78
Total assets (£bn.)	71.8	36.8	12.1	22.8	

Source: The Banker.

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is the increased ze in interna- This is a t and smaller ons are justifi- deny any they no longer ay. What does wever, is that ry much less e *international* ire than they past.

lly because of of the multi- the inter-bank was mentioned also partially g commercial ed into compe- aller banks on nd: by setting erchant bank- they can now of high-flying ch hitherto aller banks for. s at an early age, can take decisions with greater speed than previously and develop the personal contacts with potential borrowers and investors which the cumbersome structure of most commercial banks prevents.

Slowdown

Most important of all however is probably the increase in circumspection in the markets and the slowdown in activity itself. In the boom years before 1974 almost anyone could sell almost anything. This is not to suggest that the smaller banks marketed worse risks than *the larger banks, merely that* it was much easier for smaller institutions to find investors for loans or issues than is the case now.

Even a relatively small deal may need to be pre-underwritten before it comes to the market these days; the smaller banks do not have the resources to pre-underwrite, while the bigger banks prefer to concentrate their resources on business where they are getting the fees.

The other side of the coin is that the smaller banks continue to thrive. The rationale of the consortium banks has been questioned continually for years—a sensible economy of scale when they were set up, their *function* has been overtaken by the increase in the importance of the Euromarkets *which has required their parent* banks to establish Euromarket operations in their own right. But only a tiny handful of consortium banks has been taken over or otherwise rationalised, while for every consortium bank which has run into significant difficulties, ten others have continued as a credit to their shareholders both financially and otherwise.

The truth of the matter is probably that the markets are big enough for both big and small banks. Even if 90 per cent. of the world's international banking business were to fall into the hands of big commercial banks, the remaining 10 per cent would probably be sufficient to keep the smaller banks in comfortable profit.

Mary Campbell

ITALY

A sea of troubles

ITALIAN BANKING is a curious animal, at least when viewed from the customer's side of the counter. The banks have too many employees, and they are paid too much, certainly in relation to the effort applied. A simple transaction of cashing a personal cheque—or at least what should be a simple transaction — involves three officials, including the cashier, and can take anything from 60 seconds to three-quarters of an hour, and annoyingly, there is no way of telling in advance which it will be. There has, of course, to be an explanation for this type of behaviour, but offhand no one appears to know what it is: the explanation, on reflection, is equally unsatisfactory, yet the customers seem happy to go along with the system, or rather the lack of it.

Labour

It is hardly surprising then that bank overheads in Italy are high, *with one estimate* that labour works out at approximately L13m. per head annually, *or more than £8,000* at the current exchange rate. Despite such costs, the major banks do *nicely, some years better* than others, but all the time profitably. They charge well for their *every service, take a particularly* cautious approach to assessing credit risks and manage to *maintain* (or are allowed to do so by the authorities) a generous spread between lending and borrowing rates.

Their incidence of doubt-debts ("bad" is a category which in Italy only comes at the end of a long line of rolling over) is low; the past year has seen more than its fair share of corporate collapses, yet against a fierce recessionary background, the banks on average succeeded in limiting their dubious debts *to not much more than 1 per* cent. of total advances. Depending on the bank, the actual customer is often committed to a degree of horse-trading over *what* interest rate he earns on his current balance: if he is ignorant of the system, he is likely to lose out, even though the banks may have announced a formal decision to increase rates, and one would have reasonably expected that such adjustments would be automatic across the board. Not so, but it is very much automatic whenever rates go down!

All of which makes it sound very much a haven for bankers, but *not the way they tell it*. Italian bankers claim they are being forced to operate in a virtual quicksand of official policy, with wild and increasingly frequent gyrations between *easy money* and tight credit—and right now its very tight. The Bank of Italy and the Treasury, to the extent that they manage to agree these days—and that is not very often—have put their main emphasis *on* monetary policy in an attempt to bolster the hard-pressed lira, since the *present political* vacuum allows precious little else. The central bank's re*discount rate stands at 12 per* cent., or just double what it was less than three months ago, and *virtually all* but *top-line risks*—something of a euphemism for borrowers where the State, in *one way or another, is the ulti*mate guarantor—are having to pay interest of anything up to 25 per cent. for bank accommodation.

The banks continue to complain of being obliged to invest too high a proportion of new deposits in fixed-interest bonds, and in much the same way—but without much real conviction it seems—they bemoan their special deposits with the Bank of Italy. Just lately, however, *they are even more worried*, and their employees to a greater extent still, over provisions in *recent measures to try to stem* the illegal export of currency. It is claimed that the authorities are putting the onus and the legal liability on to bank staff to *ensure that there is no falsifica*tion of import and export documents, one of the classic Italian routes for getting money out of the country.

Right now bank employees are threatening industrial action to reinforce their argument that such policing is not their legitimate function, but one can only guess at the really appalling mountains of paper which will accumulate in banks if all commercial transactions are now to be thus vetted. Any resulting tightening of illegal money channels may be minimal, but the entire process should certainly greatly disrupt ordinary commerce, which is hardly what the country wants at a time when it is struggling to break out of the present severe recession.

If the overall profitability of the Italian banking system has *not* been hit adversely by the recession, the same cannot be said for the corporate sector generally. Depressed sales and higher production costs throughout 1975 have combined *to produce* the present situation, in which a major company reporting any sort of profit is indeed a rarity, and even the very occasional exception represents a miniscule return *on capital employed*. The situation has not been quite so bad with many of the small to *medium-sized companies in the* industrial north, but they have nothing like adequate resources *for essential investment if Italy* is to capitalise on the steady upsurge of demand in many of their main market areas, most noticeably West Germany and the U.S.

The Italian capital market remains underdeveloped, and these very companies urgently needing investment funds have not much option but to have *recourse to the commercial* banks, a source which has been rightly criticised in the past for failing to respond adequately to their needs. It remains a legitimate *criticism of* the Italian banks and, on a wider plan, of the whole capital market, and it should *be remembered that the* industrial backbone of Italy is in large measure made up of these small- to *medium-sized* companies, and not the notorious State-sector industrial giants—notorious as much as anything else for their inefficient presidential management structures and their seemingly endless capacity to return huge losses.

The financial base of most of these groups are a mess: the criterion used for filling the top jobs in them is still based more on political patronage then real commercial merit, a criticism which, even if to a somewhat lesser extent, also applies in the *Italian banking world*. Indeed, Mr. Guido Carli, the distinguished former Governor of the *Bank of Italy, had this swan*-song, and he should know: "our political forces are not *interested in how well the bank*ing system works, the policies it proposes or carries out. They merely want to get their own henchmen into the system and keep those of rival power groups out."

Presence

Signor Carli at least tried his best, although as he himself has acknowledged, not always with *success, but his presence* at the helm of the Bank of Italy did no harm to Italy's reputation abroad or to foreign confidence in the Italian banking system, despite some reversals, notably the still finally unresolved Sindona affair. The situation to-day is different, and it is not the fault of Carli's successor, Dr. Paolo Baffi. The lack of international confidence in Italy to-day is a political reaction as the country edges towards a general election from which, it seems, only the Communist Party, which already commands the support of one in three of the electorate, will really *benefit*. The run on the lira which forced the authorities to close the market temporarily on *January 20*, was prompted *in the* main by a political evaluation of Italy's prospects, not by conventional economic criteria, and a fair portion of the funk money sprouting wings earlier this year was of the home-grown variety and not the stuff of international speculators. In such a situation, foreigners are not slow to get the message.

Italy to-day remains as far away as ever from Dr. Baffi's "golden triangle" of price *stability, full employment* and external balance, but confidence in the system, and that inevitably *includes the banking system as* well, revolves more and more around political questions. Are the Communists *to* emerge directly into the Government process following the next general election, whether through their own particular "historic compromise," or a kind of popular front with the Socialists? If the answer is yes, and that remains the forecast of most Rome-based observers, where stands the lira and foreign confidence in Italy, at least (perhaps indeed only) in the short term?

The real pessimists wonder whether, in fact, a conventional banking system would survive in such a situation: very many more Italians note the efficient organisation of the Communist Party, *its professed commitment* to a mixed economy, and even its proposals for reforming and improving the *stock exchange* as a source of capital for industry, and they are much less worried. Who knows, it could even be easier to cash a personal cheque!

Dominick J. Coyle

FRANCE

Breathing more easily

THANKS LARGELY to the easier money and credit policies adopted by the authorities, the past year has been a much happier one for the French banking sector after the pressures of 1974. During the 1974 financial year, most of the bigger establishments, particularly *the nationalised banks*, suffered badly under the dual constraints of the supplementary reserves *which they were obliged to* deposit with the Bank of France under certain conditions and the high cost of refinancing.

The most striking example of the depressed state of the banking climate was the sharp deterioration in the results of the Credit Lyonnais, one of the "big three" nationalised banks, which for the first time in its history reported a huge loss of Frs. 153m. (about £15m. at exchange rates pertaining at the *time*). *Policy mistakes were* undoubtedly responsible for this situation, but at the root of it *all was the rapid rise in re*financing rates, which rose from as little as 3.5 per cent. to 14.5 *per cent. during a relatively* short period of 18 months.

The 1975 financial year marked a complete reversal of Government policy. The recession, the worst in France's post-war history, obliged the authorities to take expansionary measures aimed principally at stimulating public works and industrial investment and, to a lesser extent, consumer spending. Banks' reserve require*ments for sight* deposits were progressively brought down from 17 per cent. at the begin*ning of last year to 2 per cent.* by the end of September, the lowest level since 1967, while reserve obligations for time deposits and savings accounts were completely suspended.

Success

These measures reduced by nearly Frs.20bn. the refinancing requirements of banks. At the same time, the relative success of the Government's anti-*inflationary policy* and the return of the franc to the joint European float in the summer of *1975 enabled the authorities to* adjust interest rates to a level much more in line with that on *international markets*.

The official discount rate, which still acts as an important *guideline, although it no longer* directly governs day-to-day interest rates, was lowered from 13 per cent. at the very beginning of the year to 8 per cent. by September, when the Government adopted its autumn reflationary package. Day-to-day money rates followed suit, falling from 11.5 per cent. at the beginning of the year *to* 6.45 *per* cent. in December.

The authorities' interest rate policies, aimed *essentially* at bringing about a greater reduction in short-term than in long-term rates as well as reducing the gap between the rates paid by borrowers for bank loans and those accorded by banks on time and savings deposits, have turned out to be something of a mixed blessing as far as the banks are concerned.

While borrowing-and-lending operations have been facilitated compared with *1974*, banks' interest margins are still considered to be far from satisfactory. Thus, the monetary *authorities allowed base lending* rates, which in 1974 were frequently maintained below day-*to-day money rates, applicable* to short-term borrowing by banks, to overtake day-to-day *rates in 1975. But the move*ment was no more than relative and base rates were nevertheless progressively reduced from 12.4 per cent. at the beginning of the year to 8.6 per cent. at the end of December without any accompanying fall in the interest paid by banks, on various types of time and savings deposits and bonds.

As a result, the total amount of interest payments made by banks, which jumped from Frs.8.6bn. in 1973 to Frs.14.3bn. in 1974, continued to rise sharply in 1975. A rapid increase in operating costs estimated at about 18 per cent. and due mainly to wage rises granted by the banks in 1974, has gone hand in hand with the upward trend in interest payments. Indeed, the rate at which operating costs have risen exceeded that of the increase in the volume of credits distributed for the *second year running*.

However justified the complaints of the banks on this score may be, the results which have so far been published this year present a very cheerful picture. Credit Lyonnais, last year's black sheep of the banking family, turned its huge loss of Frs.153m. into an equally impressive net profit of Frs.163m. in 1975, having put an end to its damaging practice of granting large fixed interest loans which was largely responsible for its previous financial troubles.

Société Générale, another nationalised bank, which managed to make a profit of Frs.73m. in 1974 in spite of the unfavourable economic and financial climate, doubled its earnings to Frs.146m. in 1975 on a 22 per cent. higher turnover than the previous year. And the State-owned banks are not the only ones to have done well. Compagnie Financière de Suez, the holding company of one of the leading French mer*chant and investment* banking groups, and its main private sector rival, Compagnie Financière de Paris et des Pays-Bas (Paribas) have both reported big rises in profits, as has the Banque de l'Union Européenne, the banking arm of the Empain Schneider Group.

If the scramble for business in the years following the so-

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WEST GERMANY

Settled times

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rzbank, where s replacing Herr e system is, by ast, not so demo- bank has been he post-war era nalities of its Dresdner Bank ation of lying er two, and has new and more system of top in the 1970s. err Jurgen Ponto resdner Bank to large and can another 14 years.

Last year was a remarkable one for the German banking industry, and many banks produced their largest profits since the second war. Interest margins always tend to be large in a period of falling interest rates as the interest charged on loans chases money market rates downwards, and this was certainly the case last year. Only in the second half of the year did the decline in the refinancing rate slow and the competitive lowering of loans rates continue, leading to a reduction of margins. At the same time overall credit extended showed growth — not very marked growth in a recession year—but enough to allow the banks to benefit from the easy financing conditions.

Appetite

The overall credit extended to customers by the big three banks grew by 8 per cent., compared with the growth in their balance sheet totals of 16.6 per cent. The noteworthy thing here was that short-term credit to non-bank customers fell, while long-term credit with maturities of over four years grew by 29.7 per cent. This growth reflected the large credit appetite last year of the public sector and also the conspicuous attempts by industry to consolidate its debt position cheaply at a time of depressed business. On the liabilities side of the banks' balance sheets the most remarkable feature was the rapid *growth in savings deposits*, which were up by 21 per cent. at the three big banks taken together.

On top of the lax financial conditions the banks also achieved good gains in service income thanks to a resurgence in the popularity of the German securities markets and because of an active year for bond and share issues by *corporations*. As a result Deutsche Bank raised its profits by 20 per cent., Dresdner Bank by 35.4 per cent. and *Commerzbank* by 33 per cent., and these profit increases were after an impressive amount of financial consolidation and risk provision. Commerzbank's tax bill, for instance, was up by 88 per cent.

The outlook for the big banks *does not remain quite as bright* as it was this time last year. Interest rates are now reckoned to be close to the floor and this means that margins are being squeezed somewhat. It is important that business volume picks up more in the course of 1976 than it has done to date. At their annual press conferences the speakers of the big banks gave the *impression that, despite* the upturn in the economy that has so clearly set in, this upturn has yet to work *its* way *through to the credit business*. It is particularly the lack of an upturn in the demand for investment credit that worries the banks and keeps them sceptical that the economic recovery will prove a long-lasting one. At the same time the service income associated with a rising stock market has been less generous of late. The stock market indices have been on the downturn recently after the Commerzbank index moved up to the 800 mark, and it is feared that the market may have overestimated the speed of the West German recovery and is now waiting to see whether events justify its hopes.

Meanwhile the West German banks are turning overseas for their future growth. It is surprising for the outsider, who is used to hearing of West Germany as an international trading nation, to hear that Deutsche Bank opened its first international branch — apart from a Luxembourg subsidiary —in London last year and has *yet to open a branch in New* York. The rise of Herr Guth, who has long been responsible for Deutsche Bank's overseas activities, to the position of Speaker is one of many signs that the German banking industry is now working to catch up from its late start in the establishment of international representation. The news of new branches opened by West German banks overseas came thick and fast last year. Westdeutsche Landesbank was conspicuous in this respect, as was the Bayerische Vereinsbank of Munich, whose Speaker, Dr. Werner Prenauer, will also step down this year in favour of Dr. Max Hackl.

Until recently it was the policy of German banks to have representative offices abroad, *cultivate correspondent* relationships and to become partners in consortium banks. Commerzbank's participation in Europartners, and Westdeutsche Landesbank's interest in the Orion Bank are examples of the latter. These consortium banks still have a valuable function, but it is clear that the aspirations of German banks abroad are increasingly emphasising their direct participation in the money and banking markets of other countries. Dresdner Bank got off to an early start here with branches already established in London, New York, Chicago, Los Angeles, Singapore and Tokyo. Deutsche Bank has just recovered some lost ground by absorbing its subsidiary company, the Deutsche Ueberseeische Bank, which already had a well-established network of branches in South America, *one of the favourite stamping* grounds of German industry.

The impetus behind this move towards international branching *was provided by the influx of* foreign banks into the German banking centres. There are now 85 branches of foreign banks in West Germany, 31 of them American, and it is obvious that what they can offer West German companies is not so much banking services within West Germany as the services of their home organisations and of their international networks.

Danger

There is also the remote danger that the German Government may feel moved to place the same sort of restrictions on the operations of West German banks as were applied to American banks in the 1930s and which were a powerful inducement for these banks to concentrate their efforts abroad. German banks are currently allowed to do almost everything financial anywhere in West Germany. They may hold equity stakes in industrial companies. Their executives may sit on the supervisory boards of industrial companies. They also manage the shareholdings of most of *their customers and represent* their interests at annual meetings. Their influence over the German private sector has often *been questioned and is in fact* the subject of two official enquiries.

The success of the banks last year in achieving record profits in a period of recession can only reinforce curiosity as to whether competition in the German banking sector is all that it might be. During the summer a monopoly commission will report to the Government on its feelings about the universal banking system. Its findings will be followed later by the *report of a separate* "study commission" which has been looking into pros and cons of the universal banking system *in greater detail*.

These reports may cause some stir but one is inclined to doubt it. The worry about unemployment, the trend to the Right in German politics—both suggest that it would be dangerous in this election year to attack part of the goose that laid the golden egg of the "Wirtschaftswunder." It is notable, indeed, how the latest statement from the Finance Minister, Hans Apel, was so fulsome about the way in which the private banking sector had co-operated with the Government in creating a new deposit insurance system in the wake *of the Herstatt disaster*.

Nicholas Colchester
Bonn Correspondent

Chemical Bank headquarters in Frankfurt.

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reforms" of 1966, d the distinction it banks and the faires," has now French banking no means stood ast three years. ies have expanded many of the big have opened up d. The Arab oil- intries, the Far th America have ite areas for the f business.

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, several Arab- tium banks, such e Banques Arabes UBAF), in which is has a 40 per AB Bank, set up é Générale and and the Banque ernationale d'In*vestissements* (BAII), with Banque Nationale de Paris (BNP) participation, have set up their headquarters in Paris. UBAF, for instance, has managed or co-managed more than $1bn. worth of medium-term loans to *Arab countries* last year, while FRAB Bank has specialised in the financing of industrial projects in the Arab world.

Indeed, it is the activities of these banks and the growing importance of Paris as a Eurocurrency and Eurobond market in the wake of the 1973 oil crisis that has at last given the French capital something of the status of an international financial centre, and not the Bourse or *gold market, as the Government* once hoped.

Only London now precedes Paris in importance as a Eurocurrency market, with the latter accounting for some 15 per cent. *of total transactions* compared with the British capital's 50 per cent.

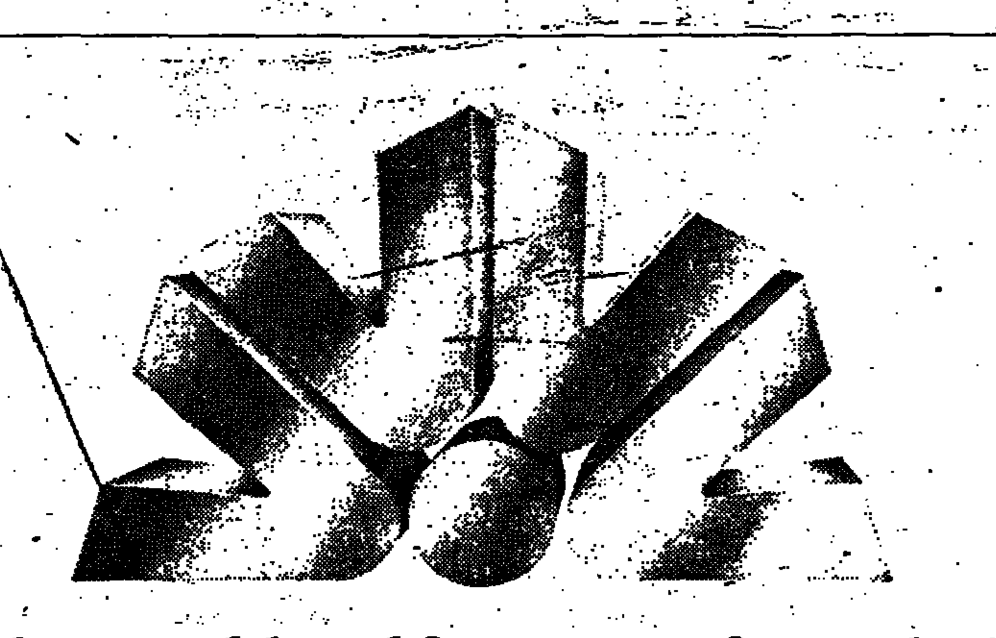
The French banks could hardly fail to cash in on all this new business originating or flowing through Paris. The Credit Lyonnais has become the leading European bank to manage Eurocurrency loans, while Paribas and Credit Commercial de France, both privately owned banks, are among the principal banks in the world managing or co-managing Eurobond issues.

Speciality

So-called "offshore" operations have become a speciality of French banks. While the use of residents' funds for Euromarket transactions are subject to strict controls, banks are free to raise money from non-residents for re-lending abroad without having to comply with normal minimum reserve requirements for such deposits. These transactions are also exempt from withholding taxes on interest payments.

Medium-term Eurocurrency loans floated by bank syndicates, which reached a high point in *1974 when the French Government* was forced to borrow massively to cover its balance of payments deficit, dropped sharply last year. But with the re-appearance of a trade deficit this year and the loss of a sub*stantial proportion of France's* reserves during the currency crisis which led to the withdrawal of the French franc from the joint European float last month, the Government and other French borrowers can again be expected to turn to the international market during the current year.

Robert Mauthner
Paris Correspondent



IRELAND

A sticky patch

IRELAND'S economy is going through a sticky patch. The trade unions are still at daggers drawn with Government and the employers over the question of a pay pause, and after nearly four months' haggling the two sides are no nearer agreement.

With Ireland way out ahead in the EEC league table of inflation—approaching 20 per cent. it is about twice the European average—a pay pause is increasingly vital. At the present rate of economic deterioration, Ireland's sticky patch is liable to lose its temporary nature.

The Republic's financial community is clearly worried. One of its chief fears is that the general worldwide recovery may well by-pass Ireland for a while. Not only is persistent inflation taking its toll of export earnings; with only 14.3 per cent. of all exports going to those economic dynamos, West Germany and the U.S., the chances of Ireland being carried along on a wave of expanding international trade seem remote.

Unemployment, too, remains stubbornly high at over 13 per cent.—two percentage points higher than in economically stricken N. Ireland—so there is growing anxiety that unless inflation is brought quickly under control Ireland will return to the bad old days of very high structural unemployment.

It is a gloomy picture, made all the darker by the speed with which Ireland has changed from thrusting growth to stagnation and apparently inexorable decline.

Two years ago things looked very different. Assessing Ireland's first year of EEC membership, the Irish Banking Review reported to its readers that it had "proved extremely favourable for Irish industry with the rate of growth output reaching approximately 11 per cent. This was more than twice the rate of growth of the previous year." Exports for the preceding year had risen by about 34 per cent. — thanks largely to massive sales gains within the EEC — new industry was still on the increase and job creation at a new high.

Advance

Thanks to strong progress in the chemicals, metals and engineering industries, job creation in 1973 hit 7,000, or 3 per cent. Compared with 1971-72, when redundancies in textiles, clothing, footwear and the paper and printing industries produced a net loss of almost 3,500 jobs, it was a considerable advance.

It appeared as if the 1970-78 target that Ireland's foreign investment agency, the Industrial Development Authority, had set itself of 50,000 new jobs, or 6,000 annually, was well in hand. But by 1974 there was again a net loss — of 4,000 manufacturing jobs — and by last year that loss had increased to 20,000.

New employment is crucial to Ireland's economy. And after 1975's economic doldrums, when the recession bit harder than the Dublin Government had imagined possible, Irish financial institutions are in an extremely liquid position as a result of consistently high savings combined with industrial retrenchment. Strictly speaking, industry should soon begin to absorb much of that excess credit as the demand cycle picks up.

Unfortunately, in the short-term Ireland must tackle its immediate economic problems before that can happen. At the same time, the long-term picture for bringing unemployment down to a manageable rate of, say, 4 per cent. is far from encouraging.

The latest studies show that to-day's level of unemployment of about 13 per cent., with 117,000 jobless, is not likely to fall below 100,000 this year. Continued unemployment will naturally depress economic recovery, and it is next year's prospects that are now giving rise to serious concern.

Ireland, with its greatly improved living conditions of the post-war period, no longer has the safety-valve of emigration. If anything, the Irish authorities often say, with more than a hint of pride that, there is now net immigration as Irish families return to the Republic from Britain.

As a result, Ireland faces a serious population explosion, and between now and 1985 there will be 500,000 more people than the present 3m. For unemployment to fall to 4 per cent. by then, it has now been estimated, 30,000 new jobs must be created every year.

For a small country such as Ireland, it is a problem of alarming proportions and one where the solution may well require a re-think of the Republic's industrial development strategy. During the boom years of the 1960s, Ireland's tax incentives to foreign industry and its ready supply of relatively cheap labour ensured a steady stream of new investment. Between 1960 and last year over 600 foreign industrial projects, two-thirds of the total, were initiated.

As the latter-day industrial revolution gained momentum, Ireland's view of itself changed rapidly. No longer content to provide unskilled and semi-skilled labour for foreign companies, Dublin pressed for more high technology investment. The emphasis changed from labour-intensive to capital-intensive industry.

There is now, however, a growing school of thought that the Republic should suit its development strategy to its population (and therefore employment) problem, and that the emphasis should revert to new labour-intensive industries.

At present, the Dublin Government is working on the preparation of a Five-Year Plan aimed at coping with such structural difficulties as employment. Whether it will face up squarely to the question of deliberately braking the growth of capital-intensive technology—and thus, on the face of it, casting Ireland as a sweat-shop of Europe—remains to be seen. It is something that Dublin's financial community having thrived on capital-intensive development, will be watching with considerable interest.

But the banks and the financial institutions are currently giving closer attention, of course, to the more immediate matter in hand of the Government's pay pause request. The 90 trade unions that make up the Irish Congress of Trade Unions had demanded, back in December last when Prime Minister Mr. Liam Consgrave called for a pay pause "until at least the end of 1976," a corresponding price freeze.

Disastrous

The Government and the employers both argued that such a move would have a disastrous effect on industry's investment capacity in the critical period when worldwide economic activity is expected to pick up again. They refused leaving the union's ½m. membership squeezed between continuingly high inflation and economic policies that would depress living standards.

Like Britain's Chancellor of the Exchequer, Mr. Denis Healey, Ireland's Finance Minister, Mr. Richie Ryan, is convinced that inflation is the first crisis to be brought under control, and then unemployment, The Government is concerned that unless that is done the Republic's foreign trade position will become dangerously uncompetitive. Two thirds of Ireland's exports go to Britain, and if Mr. Healey succeeds in continuing to reverse the inflation trend in the U.K. and gets into singl figures, while Ireland remain in the upper teens, that marke could be badly hit.

In the meantime, the pa talks drag on, ill-tempered an inconclusive and, as one Dublin stockbroking firm, Goodbod and Wilkinson, put it las month in its investment review, "It is difficult to hold out more than modest prospects for non-inflationary settlement in the present employer/labour negotiations."

The financial community is also waiting to gauge the effects of Mr. Ryan's January Budget. Against the advice of the Organisation for Economic Co-opera tion and Development, he opte for a mildly deflationary budge that took around £100m. in new direct taxation and added 4-per cent. to the cost of living.

His measures also included degree of economic stimulation but although official forecast are for a 2 per cent. growth i GNP for 1976-77, observers suc as Goodbody and Wilkinson tak the view that his Budget wil take one percentage point of GNP, "leaving growth at some thing between 1 per cent. an nil."

A year ago, when Ireland wa more confident of the economy' basic soundness, there wa serious discussion of the advan tages of severing the link wit sterling. The close ties betwee Dublin and London's financia machinery would have ensure that it was a difficult transition at the very least, but since the the effects of the recession have been to focus attention on more pressing problems.

The fact remains that ste ling's weakness is a majo burden for Ireland, so much s that the Central Bank has re duced the proportion of it foreign reserves held in sterlin to 18 per cent. in January thi year from 58 per cent. thre years earrlier.

With Ireland's external deb remaining stubbornly high over £600m., the interest burde of the non-sterling conte (which is almost 96 per cen half of it in dollars) is growi uncomfortably heavy. On t other hand, Ireland's ow economic troubles are such th increasingly few people he believe that if the Irish poun were detached from sterling find its own parity level it woul float higher than sterling.

Giles Merri
Dublin Correspondent

BELGIUM/LUXEMBOURG

Defending hard

THERE are likely to be two predominant themes in Belgian economic management over the next few months. The first will be the attempts to encourage industrial recovery from the recession without at the same time refuelling the wage inflation which is Belgium's particular curse. The second will be the maintenance of the defences around the Belgian franc until Belgium's record on inflation ceases to look conspicuously worse than that of other members of the currency snake.

The lines of both these policies are fairly clearly defined. The economic recovery is well under way, with the national bank's synthetic curve (a synthesis of ten time series embracing manufacturing, construction and the retail sector) showing in February its sixth consecutive monthly rise, indicating a more vigorous recovery than had been indicated. The fourth-quarter recovery, which marked the end of the sequence of gloomy statistics, is attributed to the end of destocking across wide sectors of trade and industry, and upturn in foreign demand, and increased consumer spending.

The surprise packet in this recovery was the role played by consumer demand, since in Belgium it is usually exports which determine the business cycle. Household goods and new cars showed buoyant sales, helped by a number of measures to ease hire purchase conditions and by a noticeable dilution in the propensity to save.

GNP is forecast by the Ministry of Economic Affairs to rise by 2.7 per cent. this year, against a 1½ per cent. drop in 1975, while fears that the severe monetary squeeze applied in the defence of the Belgian franc would rein in economic recovery are discounted on the grounds of the continuing high level of retail sales and the market recovery in France and Germany, the country's leading export markets. In addition, the monetary measures are designed to be temporary.

The fear is that recovery will immediately land Belgium back in the inflationary boat, and the automatic and virtual immediate indexation of wages to the cost of living provides Belgium with an unenviable inflation accelerator.

Package

To tackle the twin problems of inflation and unemployment the Government has just negotiated an economic package which has been eight months in the making. This legislation went through Parliament towards the end of March, considerably watered down from the frontal attack on the problems of the index and incomes policy guidelines which had accompanied its launching. By the time the proposals had emerged from the grindstone of the Belgian consultative procedures with the unions and industry, they had been comprehensively reformed.

To tackle unemployment a system of temporary traineeships has been imposed, together with accelerated pension rights. On the incomes policy side the worst hit are professional incomes, with limits on 1975 dividends, directors' emoluments, professional fees blocked and the removal of salaries from index compensation when they go over B.Frs.40,250 a month. Rents are blocked until the end of the year. It is hoped that these measures will slow down consumer price increases, whic are currently running at aroun 9.9 per cent. a year.

Other measures include change in employers' socia security payments to relieve th burden on labour-intensiv industries, investment aids an a beefing up of the country' export credit facilities.

The complement of thes measures is the simultaneou establishment of a public holding company—a concession to the unions—to act as a sort of national enterprise board. This has been ferociously contested by industry and by the banks, who have seen in it the seeds of a steady extension of State control of the economy, particularly dangerous in view of the increasing difficulty in financing investment from private funds.

As these measures were going through parliament the Belgian franc was suffering a severe buffeting on the foreign exchange markets, being pinned for a week to its floor against the D-mark and needing heavy support. Belgium's decision to defend the franc was founded on the belief that the balance of payments was essentially sound (its weak point in the trade balance); the effect of the two-tier market on diffusing speculation, the perceptible economic recovery and the hope it gave for exports; and the colossal reserves available without even needing to resort to borrowing (Belgium has virtually no external debt.)

The Belgian franc's problems has been its psychological association with the French franc, while its material links are more with the D-mark and the Dutch florin. The Belgian franc's difficulty in living with the Dutch florin in the Benelux mini-snake with a 1½ per cent.

CONTINUED ON NEXT PAGE

THE NETHERLANDS

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bn. at the end of 1975, which is up by some Fls.19bn. on the previous year. Advances reached an estimated Fls.56bn., which was up by about Fls.4.4bn., a rise considerably below that of the year before.

After a year of very limited expansion following the Herstatt developments, the banks' Euro-currency business was cautiously expanded again in 1975. It was estimated to have totalled Fls.40bn. compared with Fls.30.5bn. in 1974 and Fls.28bn. in 1973, according to figures published by one of the Dutch banks.

In their 1975 annual reports, the banks issued a number of warnings about the continuous process of profit erosion taking place in the private corporate sector, a process that continued last year. A familiar problem in Holland is that of productivity lagging behind the rise in labour costs, and this has continued for several years. Companies have been hit hard by the falling export demand, on which they are heavily dependent, and as well as high labour costs, another main problem in many markets has been the continuing strength of the guilder.

This, it is commonly agreed by the banks, is largely attributable to the country's artificially strong balance of payments position due to the availability of massive natural gas reserves, which has made vast exports possible. However, domestic deliveries of natural gas will still rise until 1978, according to present estimates, after which they will start to decline gradually. Unless really major new finds are made, Holland could become strongly dependent on imported gas sometime after the turn of the century.

Limited

Opportunities for profit retention and the attraction of new equity have become more limited. Company financing positions have changed dramatically over the past few years. The ratio of equity to borrowed capital for companies listed on the stock exchange was still in favour of the former at over 40 per cent. in 1967, but had declined to only an estimated 20 per cent. in 1974.

The banks have also pointed to their own problems in financing the corporate sector during a period of continued inflation when their own resources must be made to rise. To ease the situation, the Dutch Central Bank has recently relaxed its solvency directives. A popular means of bolstering the banks' own position has been the floating of subordinated loan stocks, which the Central Bank has agreed may be regarded as equity capital.

The past year has been particularly notable for important concentrations in the domestic banking scene. Even to-day rumours persist that further mergers or take-overs are possible.

Pierson's was acquired by Amro Bank and the private partnership has meanwhile been converted into a limited company. Pierson's said it would now be able to move towards further international expansion with the aid and capital backing of the Amro group, which has taken over the company's very limited retailing activities. In addition to Bourse activities, servicing corporate clients will be a main part of its business—a sector in which it will be competing, interestingly, with Amro itself and Morgan Labouchere.

Morgan Labouchere was set up after Morgan acquired a 50 per cent. interest in the Amro subsidiary, Labouchere. Morgan Guaranty, which threatened to lose its Dutch position when Mees En Hope, in which it had a large minority stake, was taken over by ABN, had first considered opening its own office. The top management of Morgan Labouchere is now in the hands of Morgan. ABN, which has yet to straighten out certain problems at Mees En Hope, has stated that its new subsidiary — which marked the second big concentration move in Holland last year — will increasingly focus on the corporate sector while the retail activities are expected to be tuned down.

The other major Dutch bank, which all have foreign affiliations — except NMB in which the Government has a large minority interest — have all stated publicly that they prefer to stay independent. The smallest of them, Van Lanschot, which has ties with National Westminster, said it had arrived at this conclusion after an internal study. It said it would strengthen its co-operation with the U.K. bank and noted in its annual report, with reference to the recent big takeovers, that "the Dutch banking sector has been impoverished as a result as far as diversity is concerned."

Slavenburg's Bank, which has links with First National Bank of Chicago, said in its annual report that a situation had now arisen which made it desirable that the remaining independent banking institutions maintained their often very special positions in this sector. "This will certainly require effort, in view of the fact that the growing number of foreign banks (in Holland) has stepped up competition," it added.

Before Parliament at the moment is the revised draft Bill governing the supervision of the credit sector "Wet Toezicht Kredietwezen." Of the current draft Bill, ABN notes in its annual report that it is not happy with the proposal to transfer the decision-making responsibility partly from the central bank to the Minister of Finance. It writes, "Since the Government itself is an interested party in the credit sector through the Postchequeen Girodienst and the State Postal Savings Bank, and quite possibly in future also via the Postbank, an impartial supervision appears best guaranteed by the central bank."

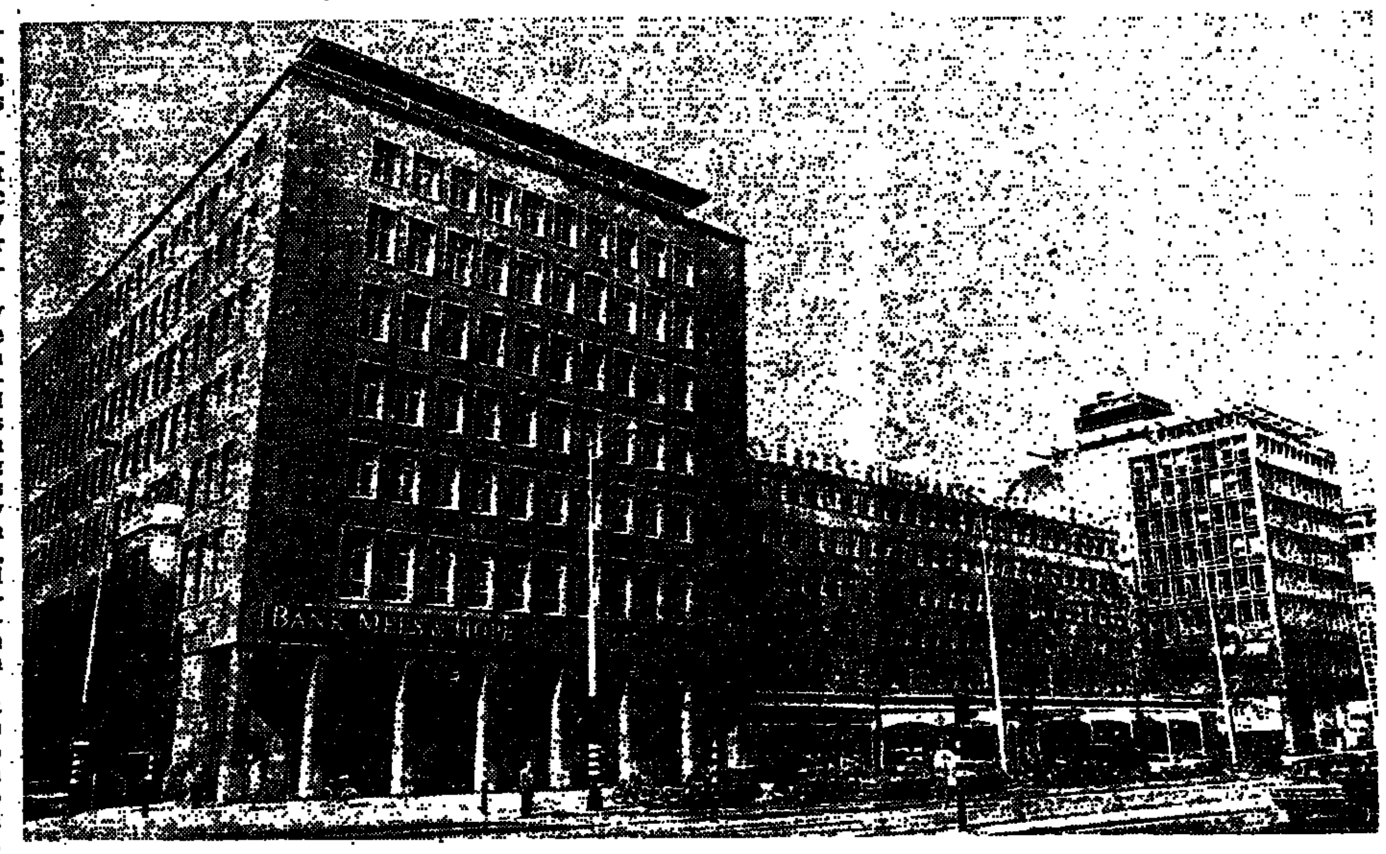
Findings

Meanwhile, the departmental commission studying the possibilities for the establishment of a state postbank is expected to present its findings to the ministers concerned around the end of this month. The present Finance Minister has said he is concerned by the market erosion of the position of state PCGD and the RPS. They are unable to offer the full range of financial services which the private credit institutions can.

As for the general economic situation in Holland, a largely export-led recovery has started though it is generally agreed that the improvement is very slow. Industrial production and business surveys have confirmed increased activity, but the level of business investment is still static. The annual rate of inflation has declined gradually over the past few months compared with early last year, moving at around 8.5-9 per cent. at present. With the aid of stiff price regulations and a pay freeze in the first half that may be continued in the second half. The Government still optimistically hopes for a rate of price inflation of 6 per cent. towards the end of this year.

One matter on which the business community has expressed some concern is the possible introduction, backdated to January 1, 1975—a year few companies made any substantial profits—of some form of a company capital growth sharing scheme, "VAD," much of which will go to a common fund for the employees with the unions having a major say in its appropriation. Newly announced changes in industrial democracy via the works council are also a cause of concern. A Bill to be introduced shortly by the Economics Ministry on the future economic structure in Holland will give some Government indications on future investment planning.

Michael van Os
Amsterdam Correspondent



Coolsingel in Rotterdam, with Bank Mees & Hope on the left

gium and Luxembourg

FROM PREVIOUS PAGE

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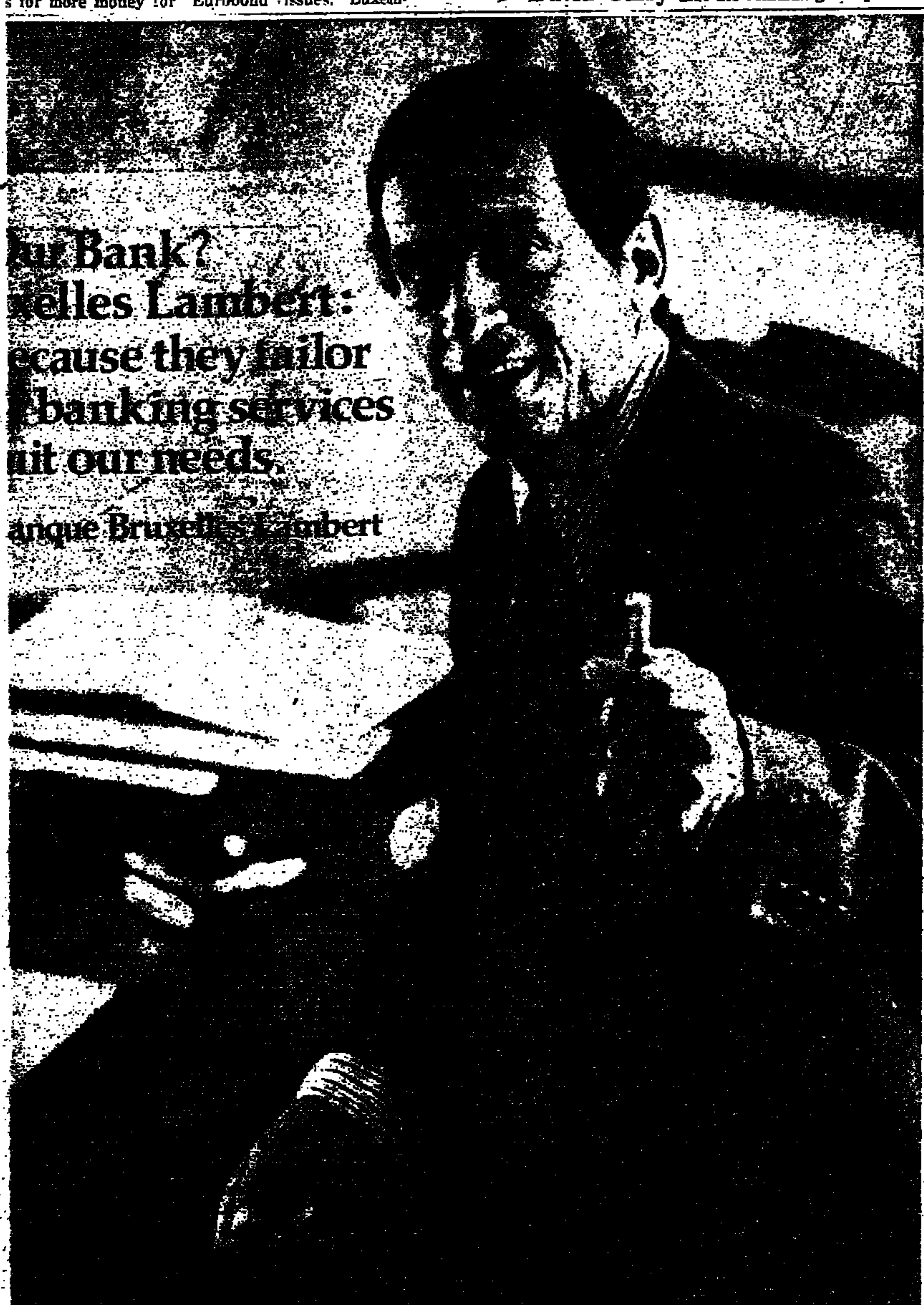
s for more money from the social security sector and is limiting the right of people out of work to turn down job offers. It is also trying to bring the budgets of semi-State bodies back into equilibrium.

This is the broad economic background against which the financial sector will be operating in Belgium. On the subject of bank regulation it is worth noting that in July last year a new regulatory framework was introduced intended to bring banks and private savings institutions under uniform control. The new system is also intended to extend controls over private finance intermediaries through powers vested in the banking commission. In addition, controls over forward exchange transactions are strengthened, while closer supervision is now exercised over operations carried out by the subsidiaries of private finance organisations.

With indications that 1976 is going to be an annus mirabilis for Eurobond issues, Luxembourg is likely to enhance its position as a major financial centre. The great era of Luxembourg expansion is probably over, if for no other reason than that almost everybody who needs to be in Luxembourg is already there. The emphasis now will be on the increasing sophistication and diversification of the services offered. The rapid growth in investment trusts in the Grand Duchy is one pointer to this diversification, while it is not impossible that in the long term Luxembourg could accommodate certain commodity transactions. While since the Herstatt debacle the regulations have been enforced more stringently, the fact remains that the control environment is still remarkably free in Luxembourg and that the informal character of the supervision is still very much the rule, adding to the hospitality of the financial climate.

David Curry



DENMARK

Urgent capital need

THE ACCOUNTS for the leading Danish banks for last year gave the impression that they were enjoying record profits, but it was a case of false pregnancy. The accounting practice by which increases or decreases in the market value of securities held by the banks is included in the profit and loss account was alone responsible for the increase in profits, with a recovery in bond prices in 1975 primarily responsible for the change. Most banks recorded a slight drop or no change in operating profits.

The result for Copenhagen Handelsbank, Denmark's biggest commercial bank, was typical. The result before adjustment for the change in security values and tax was down from Kr.360m. to Kr.275m., but after adjustment for security values rose from Kr.191m. in 1974 to Kr.687m. last year.

The trend is a matter of some concern to the banks, which are facing a problem of maintaining their capital ratios at the legal minimum of 8 per cent. of deposits and guarantees. The problem is even more serious for the savings banks, which cannot go to their shareholders or the share market for an extra injection of capital.

The capitalisation problem has been highlighted by three factors, inflation, the effects of economic policy over the past two years and politically imposed restrictions on the earnings capacity of the banks and savings banks. Last year, as part of the incomes policy which was introduced to accompany a two-year collective wage settlement, a law was passed which prevented banks from widening interest rate margins (the difference between rates on advances and deposits) from the average level prevailing in 1972-74.

The recession, which began to bite in 1974, produced in Denmark, as in so many other countries, a massive Government budget deficit. The flood of money from the public sector, combined with a rapid rise in household savings ratios, produced an enormous build-up in bank deposits last year. They increased by about 30 per cent., and the broad definition money supply rose by 27 per cent. between the end of 1974 and the end of 1975. Bank advances, on the other hand, rose by a mere 2 per cent. over the year.

Reduced

The increase in balances came at the same time as earnings potential was reduced, and the politicians added to the injury which the banks believe was done to them by the law on interest margins by excluding the banks from a cost-dampening grant to business this spring. (The grant was a consequence of a promise last autumn not to allow an acceleration of business costs from the level prevailing last autumn. But when the wage-adjusting price index rose faster than expected the Government had to fork out the difference in a cost-dampening grant to business.)

Last year the increase in bond prices helped the banks to escape from the capitalisation dilemma, but this year a reversal of the trend in bond prices (and bonds dominate the Danish capital market) will make the problem of raising capital one of urgency, as Privatbanken said in its annual report.

As Privatbanken also said, it is a problem which spills over on to the rest of the business sector. The banks' repeated calls on the share market to provide new capital is becoming something of an embarrassment, absorbing a disproportionate amount of the capital which should be available to the business sector as a whole.

Bank business this year will be influenced by the economic recovery, the renewed increase in the current balance of payments deficit, and the efforts of the authorities to bring the explosive growth of the money supply under control.

A 5½ per cent. GNP growth rate is the official forecast for this year, with private consumption to rise by 4 per cent., and investment by 9½ per cent., playing the leading roles. Exports are only expected to rise by a modest 2½ per cent. in real terms. This combination, according to the official scenario, will produce a current balance of payments deficit of Kr.6bn. compared with Kr.3bn. last year.

The chairmen of the Economic Advisory Council (Denmark's Three Wise Men) have produced an alternative forecast predicting a current deficit of Kr.7-8bn. this year and next and slightly more in 1978. Financing these deficits will keep the banks busy. There has been a current deficit in every year except one since 1960 and the net foreign debt has risen to about Kr.28bn., or about 14 per cent. of GNP.

This year's deficit has already been covered, largely by official borrowing. A problem which is worrying the banks is whether the upturn in private investment activity will be strong enough towards the end of this year and next to take some of the pressure off public sector borrowing abroad. This has already reached the point where at least one major international bank has declined to take part in official fund raising efforts on the grounds that it prefers to use such resources as it has for lending to the private sector.

Inflation

On the other hand, a factor which may favour Denmark is its relative success in bringing down the rate of inflation. The average increase in consumer prices last year was 9.6 per cent. and the Government forecasts a drop to 8.5 per cent. this year, with the Economic Advisory Council forecasting a fall to 5.5 per cent. by 1978. (A temporary reduction in value added tax from 15 to nine and a quarter per cent. from September to February means that the official consumer price index showed an increase of only 4.5 per cent. last year, but this did not reflect the true trend.)

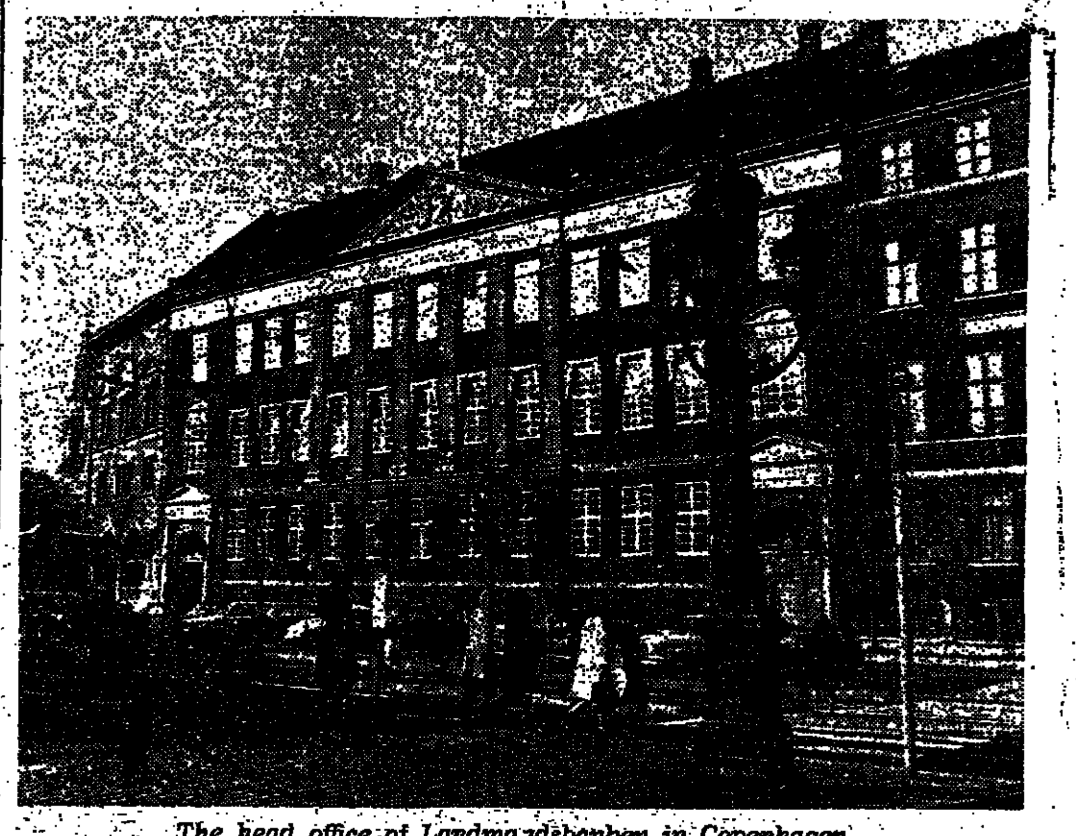
The rise in the current deficit will help to curb the growth of the money supply, but the main effort to bring it under control takes the form of financing the entire forecast Government budget deficit by issuing Government bonds and bills.

These issues include new types of Government paper, introducing a new market in short-term bills. The bills will have maturities of one and two years, and while the effective interest rate is roughly in line with interest on 12-month bank deposits, the bills are issued below par, and the capital gain is not taxable. This should make them attractive investments for non-institutional buyers. Sales only started in early April, however, and it is too early to say how successful this innovation is.

The deficit financing operation was discounted by the private bond market in the first months of the year, with effective interest rates rising from about 13 per cent. to 15 per cent. It remains to be seen whether rates will rise still further, and whether these rates will stifle the expected upswing in housing and business investment at birth.

The high interest rate structure is essential, however, in order to protect the country's slender foreign exchange reserve position. This was underlined during the March currency crisis, when the Danish discount rate was raised from 7½ to 8½ per cent. If Danish rates do not remain substantially higher than international rates, business switches into kroner for its short-term borrowing, and this quickly puts an intolerable burden on the reserves.

Hilary Barnes
Copenhagen Correspondent



The head office of Landmandsbanken in Copenhagen.

NORWAY

Optimism prevails

THE NORWEGIAN banks benefited last year from an unprecedented easing in Bank of Norway credit restrictions, which helped offset the losses sustained by the larger commercial banks on their shipping credits. Bank shares performed better than any other sector on the depressed Oslo Stock Exchange, rising by 5.6 per cent. against a decline of some 10 per cent. in the general index, and the major banks continued to gird themselves for the expansion in business, both abroad and at home, which they hope Norway's rising oil income will bring with it.

From the commercial banks' point of view the most encouraging aspect of 1975 was the successive changes in official credit policy. For the first time in a decade the steady growth in credit restrictions on the banks and in the instruments used to apply them was reversed. Recognition of the change has been almost grudging among Norwegian bankers and led Mr. Knut Getz Wold, the Governor of the Bank of Norway, to remark banteringly in February this year that it had apparently not been easy for them to recover from their astonishment. The bankers, however, may well be doubtful about the durability of the changes.

These were clearly intended to counter the effect on the Norwegian economy of the continuing international recession and to maintain employment which was threatened by the collapse in shipping, the cancellation of orders at the shipyards and the relatively slow pace of oil industry development. Credit policy was expanded, the 1975 lending ceiling for the commercial banks was raised successively from Kr.3.2bn. to Kr.3.5bn. to end finally with a growth in commercial bank lending during the year of Kr.3.9bn. (£365m.). The savings banks increased their advances by just under Kr.2.9bn.

Lifted

The primary reserve requirements for the commercial banks were reduced and eventually lifted altogether. The ratio for obligatory holdings of bearer bonds was lowered from 30 to 23 per cent., a measure which the banks felt had little effect as they still had some way to go to reach the limit. To aid stock production, the Bank of Norway also made available to the banks loans on special terms. This double measure released some Kr.1bn. in liquidity. In August the Bank of Norway took the unprecedented step of issuing a circular urging the banks to step up the rate of lending in order to help sustain economic activity.

Mr. Wold reinforced the banks' doubts about the duration of the credit easing when he warned in February that the sharp increase in liquid assets could make it more difficult to control prices and that credit policy in 1976 would have to be "formulated in such a way that there are possibilities for a tightening as soon as the signs of a turn-around become more clearly marked." He added that since adjustments to primary reserve requirements took effect slowly, the Bank of Norway was considering the introduction of credit market certificates with variable interest rates in order to make more use of open-market operations as a policy instrument.

The Bank of Norway's expansionary policy was reinforced in October by the lowering of the discount rate from 5.5 to 5 per cent., the first discount rate reduction for almost 30 years. More important for the banks, it did not affect long-term interest rates. Mr. Wold himself remarked that it should be regarded as "a step towards loosening the ties between the discount rate and long-term interest rates," which the bank have been seeking for years.

Another feature of 1975 w the return of the Norweg Government to the internatio money market after a lapse ten years. The Norwegian ments balance deficit amou to Kr.12.3bn. or 8 per cen GNP last year and is expe to reach over Kr.15bn. this At the same time foreign rowing was sufficient last to provide an increase in Bank of Norway's fore exchange reserves from Kr.10b to Kr.11.9bn. and the ban

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SWEDEN

...Operating on a looser rein

...aking has just ... expansive year. ... the Riksbank's ... encouragement ...oad and by the ...edit and interest ...roduced by Riks... Krister Wick... ...y one exception ... banks were able ...ased earnings for ...e main theme in ...orts of the three ... was the need to ...ability further, in ... with inflation. ...dluence on bank... ...ast 15 months has ...rnment's strategy ...ess the current ...ice, which has ... surplus in 1973 ...r.6.2bn. (£755m.) ...d to maintain ... help companies ...rs at a time of ...d, a squeeze on ... has had to be ... same time as priority has had to be given to export-promoting investments. The result has been a Riksbank credit policy which has aimed at meeting the financing needs of industry by foreign borrowing and a selective easing of the domestic credit market to promote industrial investment and, as recovery was delayed on Sweden's foreign markets, to finance stockpiling.

Technical

The Riksbank policy has been effected by a number of technical changes, the most important of which was probably the decision on April 17 last year to increase long-term lending rates by 1 per centage point — the first time since World War II that the long-term rate has been changed without an alteration in the official discount rate. The widening of the gap between long-term and short-term interest rates was intended to enlarge the Swedish capital market and help satisfy industry's needs of long-term finance.

The commercial banks undertook to play their part by agreeing with the Riksbank to raise investments in industrial bonds by Kr.1bn. (£120m.), either by increasing their own investments or by selling bonds to new investors.

The banks were operating at the time under a credit ceiling limiting advances to other purposes than construction until June 30, 1975, to a maximum of 20 per cent. of the level pertaining at the end of 1973. They were recommended to give priority to industry, and, to encourage this trend and to stimulate borrowing abroad, the Riksbank announced that the part of new advances refinanced abroad would not be counted when calculating the extent to which the banks had fulfilled this recommendation. In May the credit ceiling was raised to permit an increase by the end of 1975 of up to 26 per cent. of the level prevailing at the end of 1973. Finally in August the credit ceiling was abolished.

This further easing in credit policy was designed to provide more credit for industry and in particular to assist production for stock. It was accompanied by a lowering of the discount rate from 7 to 6 per cent. (with the fixed rates on long-term loans and bond issues remaining unchanged) and by a rise of 2 percentage points in the liquidity requirements of the commercial banks.

Freely

The liquidity requirements were further strengthened at the end of October at the same time as cash requirements were reduced from 5 to 2 per cent., a move intended to make it possible for the banks to allocate their liquid assets more freely but without increasing their rate of lending. The discount rate was further lowered to 5½ per cent. at the end of January without any change being effected in the long-term interest rate.

The Riksbank claims success for its policy in changing industry's liquid assets from around zero in September, 1974, to just over 20 per cent. a year later. The commercial banks' advances (excluding construction credits) reached Kr.4bn. in the first half of 1975 compared with Kr.6.2bn. during the first half of 1974, but accelerated to Kr.4.5bn. during the second half, reaching a new high towards the end of the year. Riksbank Governor Wickman has since admonished the banks to restrain their lending, in particular as more credits have been going to borrowers other than industry, but he has so far taken no new restrictive measures.

A significant feature of the past year has been the increase in the banks' foreign business both in managing loans and in refinancing their own lending. During 1974 the commercial banks refinanced abroad only 7.2 per cent. of their advances outside the construction sector; in 1975 refinancing abroad covered 24 per cent. or just over Kr.2bn. of bank lending. Sweden's long-term borrowing soared from Kr.3.5bn. in 1974 to Kr.10.4bn. last year, while short-term borrowing rose by Kr.2.1bn. compared with Kr.400m in the previous year. As a result of this capital inflow the gold and currency reserves rose by Kr.5.2bn. over the year.

The growth in bank balances held by the public reached its lowest level at the beginning of 1975 and recovered steadily throughout the year. The increase in deposits was 10.8 per cent. against 7.9 per cent. in 1974 or in money terms an increase of Kr.9.6bn. (£1.17bn.) compared with Kr.6.6bn. during the previous year. Total net lending by the commercial banks amounted to Kr.8.5bn. against Kr.7.1bn. in 1974.

The Riksbank's alterations in control measures over the past year have brought to the fore the question of interest drift, which is in turn connected with the banks' current claim that their profitability is not keeping pace with inflation and that they need wider interest margins. When the Riksbank altered the relationship between the long-term and short-term rates in April last year, it also sought to counter the trend towards interest drift within the banks (the bank borrowing and lending rates have traditionally been tide to the official discount rate).

In 1974 the Riksbank recommended that the commercial banks should be allowed to adjust their lending rates and that the average rate rose by a maximum of 0.2 percentage units from the end of March 1974. Later the level was raised for the savings banks to 0.3 percentage units and again last autumn to 0.35 percentage units. These recommendations were valid until March this year, but a survey conducted at the end of September showed that the lending rates of both the commercial and savings banks had exceeded the prescribed levels.

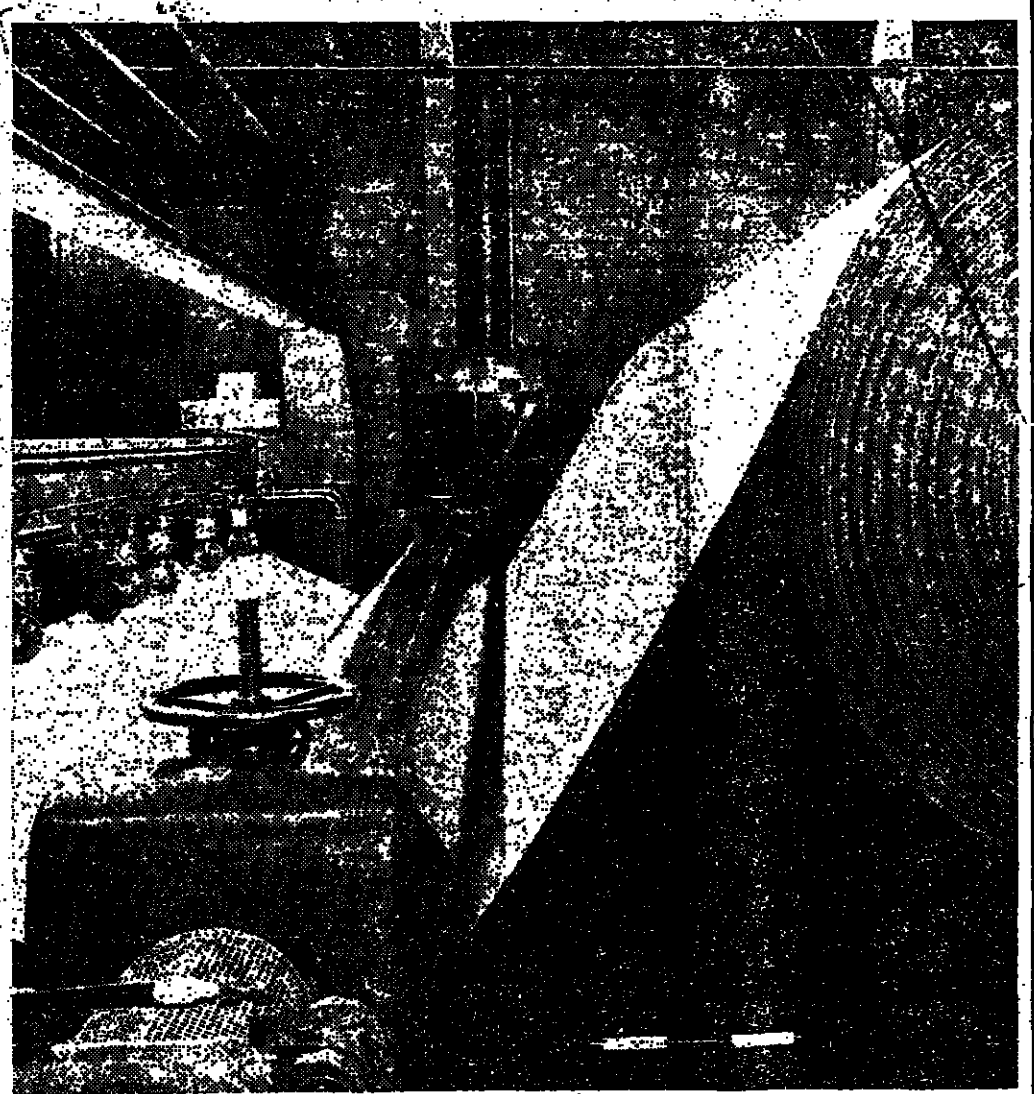
Average

It has now been agreed that until September this year the commercial banks will attempt to keep their average interest drift from March, 1974, within the 0.2 per cent. limit with the exception of the State-owned PKBank, where the limit has been put at 0.3 per cent. The savings banks can go up to 0.4 per cent. At the same time the Riksbank has agreed to discuss the banks' long-term earnings problems.

These were highlighted in the 1975 reports of Skandinaviska Enskilda, Svenska Handelsbanken and PKbank. Enskilda, for instance, which showed a seemingly handsome increase of 18.3 per cent. in pre-tax earnings, argued that it had suffered an "inflation loss" or a reduction in real capital resources after inflation of close to Kr300m. The profit level was the "minimum acceptable," if shareholders' equity and reserves were to be kept in line with inflation and the obligatory capital reserves ratio.

Enskilda is raising its share capital this year by a one-for-six rights issue but is making the point that if shareholders are to continue to invest, they must reasonably expect an increase in dividend commensurate with the rate of inflation. One restriction on the earnings needed to provide increasing dividends lies in the low interest margins, which the Riksbank has now agreed to consider.

William Dullforce
Nordic Correspondent



The Swedish pulp and paper industry is the keystone of the country's economy. The photograph shows a new sack paper machine at Korsnäs Marma.

Norway

CONTINUED FROM PREVIOUS PAGE

regards with equanimity a financing requirement of some Kr.20bn. gross this year.

The Government plans to raise State loans abroad up to Kr.4bn. this year after using most of the Kr.5bn. it was authorised by Parliament to raise last April. State guarantees for private borrowing will also rise from Kr.1bn. to Kr.1.5bn.

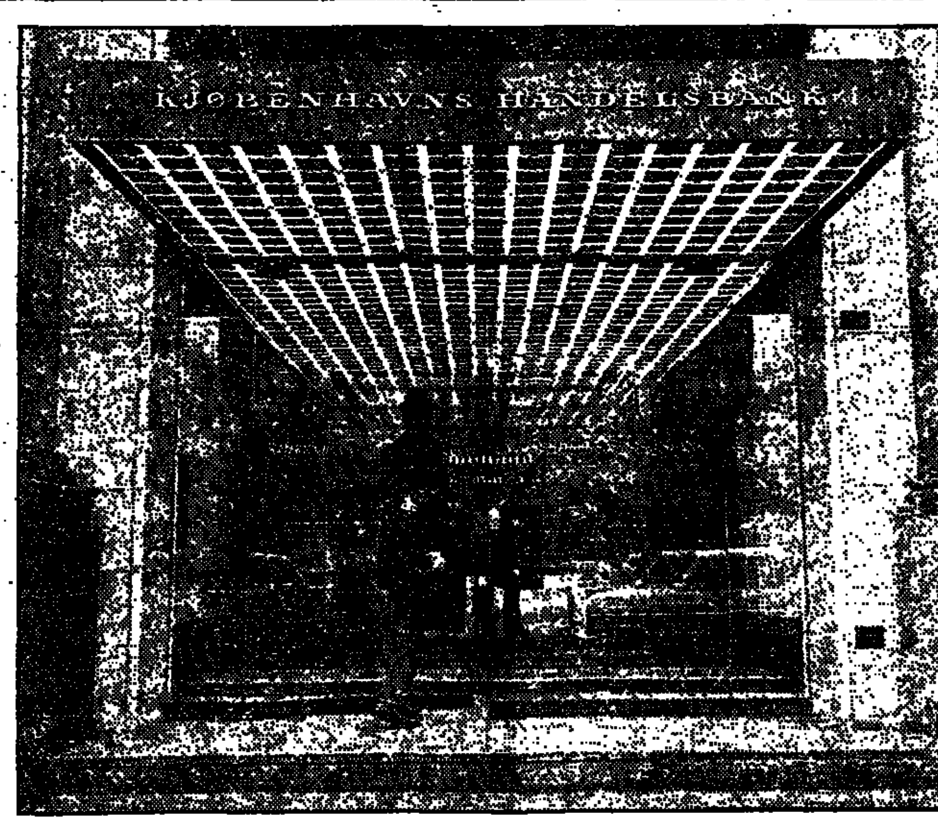
The Norwegian Banking Association estimates that the commercial banks bought currency for Kr.1.5bn. from the Bank of Norway last year to finance Norwegian companies' foreign payments. Deposits from the public recovered substantially from the middle of the year, giving an annual growth of Kr.4.5bn. compared with Kr.2.7bn. in 1974.

On the whole, despite the losses on shipping loans, the banks improved earnings in 1975 and substantially increased their balance sheet totals. Although costs rose from 4.55 to 4.86 per cent. of the commercial banks' balance sheet totals, the Banking Association estimates that there was an increase in interest margins during the year which helped produce an improvement in the banks' profits before depreciation and tax from 1.24 to 1.4 per cent. of total capital. Liquidity was generally good at the end of the year.

The major banks continue to open up abroad, principally in Luxembourg. In February Bergen Bank (a merger of Bergens Privatbank and Bergen Kreditbank effected last year) opened the fourth Norwegian-owned bank in the Grand Duchy, taking 65 per cent. of the Frs.250m. share capital, with Forretningsbanken taking up 25 per cent. and the Farmers' Bank 10 per cent.

Its wholly owned subsidiary in Luxembourg is one reason why Den Norske Creditbank—Norway's biggest bank whose balance-sheet passed the Kr.10bn. mark last year—is increasing its share capital this year for the second year running. Three of the larger banks alone are increasing their capital by Kr.150m., which compares with a total share capital for the commercial banks of around Kr.1.4bn. at the end of 1975, and more banks are in the queue for new issues this year. Optimism prevails despite the continuing uncertainty about the Labour Government's plans for "democratisation" of the banks.

William Dullforce



WORLD BANKING XIV

A massive log raft on the move in Finland. The country's forest industry has had a hard time rec export earnings have fallen off.

FINLAND

Difficult times

THE FINNISH economy is still going through very troubled times. It really began to get into difficulties at the end of 1974, about a year later than most West European industrialised countries. The market for forest industry products (wood, pulp, paper and paperboard), the main source of Finland's export earnings, slumped with surprising suddenness in 1975. This disaster was offset somewhat by the stabilising trend of world raw material prices. But internal cost factors—above all, inordinate wage increases—kept the inflation rate up at 18 per cent., well above the rate in the main competitor countries.

By the turn of the year, Finland had set itself a number of new records. The deficit on current account was Fmk.8.1bn. (over £1bn. at the December 1975 rate of exchange). The net foreign debt had swollen to Fmks.20bn. (£2.56bn.), one-fifth of the GNP for 1975. Unemployment was reaching 4 per cent. at an annual rate. Yet the five-party Centre-Left coalition Cabinet under Prime Minister Martti Miettunen (Centre Party), ordered into being in November 1975 by President Urho Kekkonen, earned the distinction of being even more indecisive than its predecessor.

Better

Externally, the situation seems to have changed for the better, though for Finland the revival of export demand in Europe is agonisingly slow, not least because the large build-up of inventories of forest industry products in the main buying countries is taking time to liquidate.

The real problems are now internal. Finland has more or less wasted a year that should have been spent on make and mend tasks at home. The sizeable cash surpluses accumulated by the Treasury in the 1970s were squandered in 1975, and from the beginning of 1976 the country was back to deficit financing to balance the budget. The tax reliefs promised by the last Government have been lost in a series of new taxes and charges, most of them supposedly temporary. But still more new revenue must be raised for additional supplementary budgets this year and the main budget for 1977.

Certain unions, many of them small but representing key sectors, have compounded the confusion by calling a series of strikes, both legal and illegal, although they accepted the incomes and prices policy agreement at central employer-union level in January. The country lost 230,000 working days in January-February alone, compared with 260,000 in the whole of 1975. The reasons for the strikes were sometimes just power play between the Communist and Social Democratic wings for control of individual unions. Sometimes they were called to maintain differentials. In either case, they were a luxury that the country could ill afford.

This competition between the Communists and Social Democrats is one of the main reasons for the lack of firm action by the Government. Both parties are in the Miettunen Cabinet, the Communists as very reluctant partners. Time and again, the Communists have forced postponement of decisions of essential importance to the economy. In fact, it seems doubtful whether the Communists will be in the Cabinet after mid-May when certain decisions must finally be taken, notably on the plan to increase the turnover tax by 2 per cent. units.

BANK DEPOSITS AND LENDING—1975
(Fmks.bn.)

Bank group	Deposits	Change % on 1974	Loans	Change % on 1974
Commercial banks	15.2	19.1	17.8	12.0
Savings banks	10.4	17.9	9.1	17.8
Co-operative banks	8.1	20.6	7.8	20.6
Postipankki	6.3	26.0	5.5	19.0
Total	40.0	20.2	40.1	15.8

The decision should have been taken at the end of March in order to balance the so-called Unemployment Supplementary Budget, but the Communists refused to accept the proposed increase in turnover tax to be applied later this year. Equally interesting and typical is the Communist Ministers' reservation attached to the stabilisation plan that Finance Minister Paul Paavela (Social Democrat) produced as a sort of appendix to the supplementary budget.

This stabilisation plan goes some way, at last, towards recognising the seriousness of the economic situation and taking corrective action. It lists 18 sectors in which public expenditure is to be cut or else postponed for some years. But the total saving to be effected immediately is only Fmks.350m. (£49m. at the present exchange rate). Further cuts of Fmks.300m. are to be agreed by a Ministerial working group. The Communists' reservations indicate their opposition to the plan, so there is some doubt about its implementation.

Average

The plan is based on a medium-term forecast of the development of the Finnish economy up to 1981. It foresees an annual average growth rate of 4 per cent. Since foreign borrowing must be contained, the growth of consumption must be kept down to 2.5 per cent. a year. Investment is to be channelled into projects that directly sustain exports and employment. New investment in the energy sector is to be stopped entirely. Changes in business taxation—for instance, in depreciation allowances and inventory reserves—are to be examined as a means of steering investments. In addition to existing measures to discourage imports, the Government will consider the possibility of introducing compulsory prior notification of import intentions.

The even stricter screening of credit applications—the Bank of Finland has alr stringent guidelin adds to the probl deposit banks, par commercial banks the main source industrial investme Money is extreme Finland, and will s for the foreseeable banks are trying their borrowing fr tral Bank. All app foreign loans will b fully screened.

The State is ag the domestic mone a major borrower. I ing a bigger tax way or another. only remaining sou tional finance for re requiring bank cre is likely to wither, taining a very growth rate for tionary times.

Unacceptable tho the Communists, Fi ter Paavela gives the current acco priority over employment. A def 5bn. is the target f Fmks. 3bn. for 1981 major problem is in last and more reali by the Ministry Economic Division rate of 12 per cent. But the earnings increase by 13 per haps more in the a the situation is due

Finally, there i tinuing threat of de the Finnmark towa of the year. But foreign debt and th of debt servicing, n per cent. of curr income, would mak tremely expensive

Lance F
Helsinki C

AUSTRIA

Awaiting an uptu

THOUGH LAST year, with a 2.5 per cent. decline of the GNP, was the most disappointing since the immediate post-war period for the Austrian economy, the overall performance was still one of the best among the OECD countries. While it is true that the rate of inflation at 8.4 per cent. was down on the 9.5 per cent. recorded in 1974, and compared favourably with the 13.8 per cent. registered for the European OECD countries, critics in this profoundly stability-conscious country are quick to point out that West Germany and Switzerland were doing even better, since their price index showed only an increase of 6 per cent. and 6.7 per cent. respectively.

The Finance Minister, Dr. Hannes Androsch invariably rejects this valid complaint with the equally valid argument that the recession in Austria was much less pronounced than in the neighbouring countries. Furthermore, full employment was maintained despite an 8 per cent. drop in industrial output, the first decline on record since 1955. The rate of unemployment was a mere 2 per cent. and by the end of 1975, 2.47m. Austrians, 20,000 more than a year earlier, were employed. The accent is, of course, on the adjective "Austrian," since the number of foreign workers during the same period fell by 32,000 or 15 per cent. In other words, foreigners were the first to be fired in branches hit by the recession.

Since the autum however, the recove gaining speed. Th fourth quarter of las was 2 per cent. up vious quarter and; agriculture and fores ½ per cent. up on the ter in 1974. Nevert Institute for Econom points out in its la that consumption more than expected tion of the increase Added Tax from 16 cent. from January, seasonal factors also to the higher-than-exp of exports to Easte On the basis of th February figure, it that the first quarte will not have produc

CONTINUED ON NEXT PAGE

SWITZERLAND

Banks do well in a bad year

AS FAR as their financial results are concerned, 1975 was a prime year for Swiss banks. Total assets of the Big Five banks alone, up by nearly 17 per cent. on the previous year, totalled Sw.Frs.147bn. and overtook the country's Gross National Product value of Sw.Frs.144.6bn. Profits showed a marked increase for most banks too. In the case of the three biggest—Union Bank of Switzerland, Swiss Bank Corporation and Swiss Credit Bank—the net profit figure rose by between 11 and 14 per cent.

Business grew particularly as a result of the sharp rise in the influx of medium and long-term money, in the form of deposits and savings, and an even more rapid growth in the holdings of bills and money market paper, though in fact the balance sheet positions of all the major banks showed an increase of one kind or another. In the profit and loss accounts, the drop in income from foreign exchange and precious metals trading was more than offset by the massive rise in profits from securities and the less dramatic but still substantial improvements in those *from commission* and letters of credit.

Alongside the upswing in domestic business, foreign engagements grew very considerably. At the end of 1975, assets abroad of the Swiss banking system totalled Sw.Frs. 72.8bn. (December 31, 1974: Sw.Frs.60.5bn.), to which can be added fiduciary positions equal to Sw.Frs.52.7bn. (46.1bn.). After deduction of corresponding liabilities abroad, a net investment, including fiduciary business, of Sw.Frs.29.5bn. (18.8bn.) results.

In 1975, the year of the worst economic setback Switzerland has known since the war, it would be more than churlish of the bankers to complain of their lot. Expressed in terms of francs and centimes, last year was a very good one—and none of them is attempting to deny it.

They are much less sanguine with regard to their operational environment. Strange to say, the much-vaunted power base of the Swiss banking community is without many real friends at court. Parliament and Government are alive to the problems of the export industry, agriculture and tourism much more than to any which the prosperous—and still prospering—bankers may complain of. Perhaps it is not surprising *that there is little public or* official sympathy for virtually the only branch of the economy which has come out of crisis year 1975 better off.

Attempts

There have also been successful attempts made to keep banks from getting too big for their boots. The catch-phrase of the past year has been "re-dimensioning," which means in the parlance of its users limiting or cutting back the volume of operations to a manageable size. During 1975, moves of the National Bank directed at this end and the related goal of improved control mechanisms included the negative interest rate of 10 per cent. per quarter on new foreign deposits, the reduction of forward sales of Swiss francs to foreigners and the daily matching of banks' foreign exchange liability positions with corresponding assets. By a gentlemen's agreement with banks and multi-national companies all spot and forward foreign exchange transactions of $5m. and above have to be reported. All these measures are over and above short-term regulatory moves in such fields as minimum balance creation and capital market issue ceilings.

While the Swiss bankers see the point in many of the policy decisions affecting their operations and while relations between them and the National Bank remain fundamentally cordial, there is a growing fear of eventual erosion of what have hitherto been considered basic rights. A particular upset was caused last autumn when eminent spokesmen of the National Bank and the Federal Council started to wonder out loud whether numbered accounts were really necessary. Bankers, who for years had been arguing that numbered accounts were not a whit different from name accounts except for guaranteeing greater in-bank security, reacted as though Bahnhofstrasse had turned into Sidney Street. Talk of this kind, which at the time of the 1975 Bankers' Day in Lugano had a background of rumours about a foreign exchange tax and the creation of a central "forex" market, was considered the thin end of the wedge, to say the least.

In fact, "re-dimensioning" is already a fact in some sectors, despite the overall growth last year in profits and balance sheets totals. Switzerland's share of Euromarket business has been falling off, Swiss franc deposits by foreigners are lower, forex and precious-metal turnovers are down and the Government has been active in keeping the influx of petro-dollars at a relatively modest level. And, as the Association of Foreign Banks in Switzerland said in its last annual report, restrictive equity ratio regulations and tighter reciprocity rules have led to a very marked slowdown in the development of foreign banks' activities. Association president Dr. Eric Gasser claimed in this connection that intervention by officialdom hindered a proper growth not only of foreign banks but of the Swiss financial centre itself.

"Cautious optimism" is the (very Swiss) term used by more than one banker for the current year. With the capital market continuing to boom, and the stock market shaping up very nicely, the banks' issue and securities business looks particularly favourable. Generally speaking, there should be noticeable signs of an improvement in the domestic economy later on this year, while banks are already profiting to some extent *from rather more lively* economic conditions elsewhere.

But profit margins in classical commercial banking operations, as Crédit Suisse managing director Dr. H. Escher recently pointed out, remain under pressure as operating costs rise. *And just now banks are more* concerned with the growing number of bad debts than with the possibility of an economic upswing.

As far as further "re-dimensioning" is concerned, the Federal Council this month introduced decrees strengthening the Swiss Banking Commission in order to extend its watchdog operations, while the National Bank is said to have had talks with commercial banks on a planned gentlemen's agreement by which regular information would be given on the business of foreign branches. The National Bank is also said to be considering the advantages and disadvantages of a daily fixing on the foreign exchange market.

But the most significant development in Swiss banking would again be any sudden storm on the Swiss franc—via the forex market, massive banknote deals, or the capital and securities market. Should the very low (2½ per cent.) annual inflation rate in Switzerland, combined with a sudden weakening of key foreign currencies, lead to a repeat performance of this, the Government and the National Bank could once more *find themselves in a position* where drastic restrictions were essential. This year so far heavy upward pressure on the Swiss franc has already led to large-scale National Bank intervention on the foreign exchange market aimed at keeping the dirty-floating currency at a tolerable level, but these have been largely compensated for by compulsory conversions into dollars of amounts created in capital exports.

John Wicks
Zurich Correspondent

BIG THREE RESULTS
(Sw.Frs.m.)

	Swiss Bank Corporation		Swiss Credit Bank		Union Bank of Switzerland	
	1975	1974	1975	1974	1975	1974
Total assets	49.858	41.044	36,798	32,134	47,294	40,713
Net profits	199.7	177.9	173.1	156.1	208.9	183.3
Income	3.209	3.235	2,424	2,329	3,133	3,013
of which:						
Interest	2.382	2.531	1.691	1,695	2,232	2,295
Bills and money market paper	161.3	127.7	109.2	98.6	159.1	92.6
Commission	296.8	232.3	314.6	267.8	420.3	365.6
Foreign exchange and precious metals	196.2	239.9	144.8	158.3	150.5	166.5
Securities	120.9	53.6	111.7	54.1	125.8	54.8
Participations	20.0	18.9	30.3	28.5	19.3	16.3
Other sources	31.1	29.3	25.2	26.7	26.2	21.9

BANK ASSETS
(Sw.Frs.bn.—December 31 last)

	Big five	28 cantonal	39 other*
1971	114.3	52.8	19.8
1972	121.2	57.8	22.0
1973	121.1	61.7	23.9
1974	125.8	67.1	25.2
1975	147.0	74.6	27.1

* Reporting regional and savings banks.

Austria

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growth, compared with the previous three-month period. On the whole, GNP, however, will continue to rise from quarter to quarter, and the forecast for *1976 has just undergone an up*ward revision from 1.5 per cent. to 2.5 per cent. as compared with last year.

Dramatic

The sudden downturn in 1975 had substantial, in some respects even dramatic repercussions on fiscal and monetary policies. To start with, the abrupt change from a boom cycle with a 4.2 per cent. growth rate in 1974 and an only slightly lower growth forecast for 1975 to a sudden decline in GNP plunged the Treasury into a critical situation. The voted budget deficit of Sch.16.3bn. jumped by the end of the year to an all-time peak of Sch.39bn. The combination of massive deficit spending policies with lower than expected revenues forced the Government to resort to heavy foreign borrowing, thus increasing the national debt within a year from Sch.61.4bn. to about Sch.100bn.

Several factors combined to produce an embarrassingly large liquidity in the place of the previous stabilisation package deals, involving a credit squeeze. The discount rate was reduced in two stages (April 1975 and January 1976) by 1.5 *per cent. to 5 per cent.*, the ceiling on the growth of commercial credits to domestic non-banks (1 per cent. per month) has been to all practical purposes lifted, and since last October a higher rate of new advances has no longer been *subject to central bank* penalties.

Clearly the influx of foreign loans, primarily federal borrowing to the tune of Sch.16.5bn., five times as much as in the previous year, was the main influence engendering a veritable *liquidity* tide. In all, the gold and foreign exchange reserves rose by one-third to Sch.61.5bn. by the end of 1975. The combined balance sheet of the credit institutes expanded by 21 per cent. last year compared with a growth of 15 per cent. in *1974. The liquidity position was such that* since mid-1975 the banks have practically ceased to resort to central bank refinancing facilities.

Two further factors contributing to high liquidity have been the continued increase in private *savings and the relatively weak* demand for commercial credits. As a result of income tax cuts and pay increases net disposable incomes were up by 15 per cent., but private consumption grew only by 13.5 per cent. in *addition to a 20 per cent.* rise in savings deposits and an even higher rate of increase in time and sight deposits, 1975 was a record year for the capital market. Thus net fixed interest loan issues showed a five-fold increase to Sch.21.9bn., and gross issues trebled to Sch.29bn. In all, Sch.45bn. worth of bonds were placed, a 100 per cent. rise over the previous year.

The indications are that at any rate in the near future the trend of growing pressure on *bond interest rates will con*tinue. During January-March this year Sch.14bn. of loan issues were placed as against Sch.29bn. for the whole of 1975. Although domestic borrowing cannot go on at this pace, the floating of loans is no problem whatsoever. The average yield of bonds quoted on the Vienna bourse fell from 10.1 per cent. at the end of 1974 to 9.41 per cent. at the end of 1975 and to 8.94 per cent. by the end of March this year.

The annual meetings of the banks tended to confirm the general impression that there will be continued pressure on borrowers' interest rates. The interest on credits to "first rate clients" has fallen from 10.25 per cent. per annum at the be*ginning of 1975 to 9.75 per cent.* by mid-1975 and to 8.75 per cent. at present. It may well fall to 8 per cent. by mid-1976. However, as interest rates on savings deposits (at 5 per cent., still below the inflation rate) and on fixed interest securities *remain unchanged* and as the trend towards savings deposits subject to 12 months' notice accelerates, the pressure on the profit margins of the banks this year is likely to be pronounced.

Austria appears to have coped relatively successfully with the challenge posed by the world-wide recession. Politically the country is in a period of stability as Dr. Kreisky's Socialist Party secured last October, for the second time in succession, an absolute majority in parliament. But social part*nership, the real basis of* Austria's postwar economic miracle, may be subjected to dangerous strains if the socialists go too far and too fast in trying to dominate private business and industry.

Paul Lendvai
Vienna Correspondent

CHARTERED BANKS' ASSETS
($Can.m.)

	Notes of and deposits with Bank of Canada	Day, call and short loans	Canada treasury bills	Other Government of Canada securities	Other securities	NHA mortgages	All loans excepting day, call and short loans	Jan. 31, 1976 TOTAL	Jan. 31, 1975 TOTAL %
Bank of Montreal	761	289	653	[illegible]	608	634	12,023	18,677	18,441
Bank of Nova Scotia	450	212	413	445	612	482	9,258	15,921	14,463
Toronto-Dominion Bk.	530	177	458	582	492	409	7,837	14,888	13,105
Provincial Bk. of Can.	91	102	116	122	124	182	1,916	3,265	2,794
Cdn. Imp. Bk. Comce.	863	208	792	988	954	1,200	12,805	23,192	20,180
Royal Bk. of Canada	928	357	832	[illegible]	978	864	14,758	25,791	22,567
Bk. Canadian National	195	108	224	218	345	405	3,038	5,224	4,427
Mercantile Bk. of Can.	51	6	53	10	173	11	1,037	1,422	738
Bk. of Brit. Columbia	21	17	22	8	27	26	486	649	525
Unity Bk. of Canada	4	—	1	—	21	4	124	160	148
TOTAL 1976	3,895	1,476	3,564	4,352	4,336	4,220	63,232	109,193	—
TOTAL 1975	3,370	1,604	3,495	4,461	4,369	3,335	53,700	—	97,391
% change in January, 1976, on year	+15.6	− 8.0	+ 2.0	− 2.4	− 0.8	+ 26.5	+ 17.7	—	—

Prepared by the Canadian Bankers Association.

CANADA

Recovery under wa

THE CANADIAN economy is now clearly in the early phases of recovery. Business activity is expanding, capital investment is rising, the inflation rate is easing and real output is forecast to increase by close to 5 per cent. this year after almost no increase in 1975.

These are the conclusions of the Conference Board in Canada, a non-profitmaking organisation backed by business and industry to advise the Government about future trends, and of Statistics Canada, the Government agency that records the country's progress and tabulates the information provided on a monthly basis by all levels of business.

Revised economic statistics for 1975 prepared by the Conference Board indicate quite clearly that the recession in economic activity that started early in 1974 came to an end in early 1975 and that since last spring or early summer, the Canadian economy has been in a period of recovery.

It emphasised, however, that output growth this year will not be sufficient to reduce the significant amount of excess capacity that now exists in the Canadian economy. Under such conditions, unemployment rates are expected to show a slight increase this year to an average of 7.1 per cent. of the workforce, compared with 7 per cent. in 1975

One significant revision in the outlook for 1976 is that prices will rise at a slower rate as a result of favourable developments in agriculture prices during the past several months and a favourable outlook for these prices through the summer months of 1976. As a result, the consumer price index is expected to rise by 9 per cent. this year, down from the previous forecast of 10.5 per cent. made in December.

Resource

Last year's rise of nearly 17 per cent. in business investment resulted largely from a 13 per cent. increase in the price of capital goods and increasing activity on large projects. The initiation of a number of sizeable resource oriented projects late in 1975 is expected to offset significantly the impact of declining investment elsewhere and will lead to moderate increases in total business investment. in both real and value terms.

The statistics show, however, that the recovery from recession and the trend toward a slower inflation rate began before the Government introduced a prices and income policy last October. When they were introduced, Prime Minister Pierre Trudeau said they would last for three years. They were designed to bring a halt to galloping double digit inflation and reduce the rate by the end of the programme to about 4 per cent.

Since last October the Government has been telling Canadians about the unpleasant things they must do to fight inflation. But in the Bank of Canada's annual report issued a few weeks ago, Governor Gerald Boney told the federal Government, and indirectly all the provincial governments, the equally unpleasant things they must do in the same cause.

The Bank appears to have decided what it ought to do and to be showing a rather stern adherence to doing it. Part of it consists of not bailing out governments by excessive increases in the money supply, or by keeping interest rates and the exchange value of the Canadian dollar down. The high interest rates have been attracting a large inflow of capital from the United States and other countries and the conversion of these funds pushed the Canadian dollar this month above par to its highest level, relative to the U.S. dollar, in 19 months.

But the high interest rates in Canada did not slow domestic borrowing. Business borrowings in January shot up to an annual growth rate of 70 per cent., so the Bank of Canada did what nobody expected, and what was politically highly unpopular, and pushed Bank Rate to the highest ever.

This action has put the banking system into a squeeze and further exacerbated the problem that the Canadian banks say is being caused by foreign banks setting up shop in Canada to compete with the domestic institutions. The Canadian banks say, however, that they are not worried about competition from foreign banks as such.

Their concern is that the operations of such banks, now estimated at more than 200, escape the detailed federal supervision that governs the activities of Canadian banks. These regulations are designed to protect the savings of Canadian depositors and also to give the Government effective control of national money policy.

The Bank Act is now being reviewed in preparation for revisions to be made in 1977, and the operations of foreign banks have come in for a good deal of criticism. A number of briefs on the subject have been presented to the Minister of Finance.

But the banks themselves have come under criticism from other financial institutions such as trust companies and sales finance companies. Strangely enough, the Trust Companies Association of Canada, the Federated Council of Sales Finance Companies and the Canadian Bankers Association, which represents the chartered banks, have submitted briefs using essentially the same figure to back up completely different points of view.

The figures mentioned by the banks, the trust companies and the sales finance companies basically are those comparing total Canadian dollar assets of the various financial institutions. How they are used depends on the time period involved.

Explicit

The trust companies argue that the banks have made use of the lack of an explicit definition of banking to expand their activities directly or indirectly into fields clearly unrelated to the business of banking. They would like to see a movement back to a more fundamental definition of banking.

They back up this contention by noting that the banks now control more than 30 per cent. of total Canadian dollar assets, while no other financial group has more than 10 per cent., with most of the others hav
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MAJOR ASSETS OF FINANCIAL INSTITUTIONS —

	Dec. 1975 $bn.	Annual rates of c Years Dec. '73 to Dec. '74	Dec. '74 to Dec. '75	Ha Dec. to June
Deposit-taking institutions				
Chartered banks‡	67.5	19	13	12
Trust and mortgage loan companies and Quebec savings bank	23.1	16	17	17
Credit unions and caisses populaires	12.4	16	25	29
Sub-total	102.0	18	16	15
Contractual savings institutions				
Life insurance companies	21.5	7	9	11
Pension funds	20.0	12	12	14
Sub-total	41.5	10	11	12
Sales finance and consumer loan companies	9.7	16	8	6
Total	153.2	16	14	14

* Figures for December, 1975, are estimated, except for banks. † Seasonally adjusted
trust and mortgage loan companies and sales finance companies. ‡ Canadian dollar m
average of Wednesdays.

Source: Bank of Canada's ann

PORTUGAL

Outlook confuse

"GREATER WEALTH for all," says the leaflet distributed by the Portuguese authorities barely a year ago to celebrate and explain the decision to take all the country's banks and other financial institutions into public ownership.

Yet, as the Portuguese have become only too aware, the nationalisations of a year ago failed to halt the slide towards economic chaos and bankruptcy which has characterised the performance of the country's economy. Fourteen banks fell into State hands as a result of the political push to the Left unleashed after the crushing of the abortive Right-wing coup attempt on March 11 last year. The nationalisation of the Portuguese-owned banks and financial institutions brought with it State control over 201 concerns, in which these institutions held a majority of the equity.

The banks, accordingly, were put at the centre of a strategy which was to develop the Portuguese economy out of its relative backwardness and at the same time ensure that this development led to socialism. "With their deposits the banks will develop works of great social interest. They will help construct that which the country does not have but which all need . . . ," said the official propaganda.

Unfortunately, the one thing the banks swiftly found they did not have were deposits, as depositors, fearful at the time that the next step along the road to socialism would be the freezing of assets above a certain level, rushed to take their money out. Demand deposits by the end of last year were still less than they had been three years previously at Esc. 144bn., compared with 144.5bn. at the end of 1972. Short-term deposits showed a more dramatic climate of nervousness, having fallen to Esc.2.4bn. at the end of October last year (the latest currently available figure), compared to
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SPAIN

Resistance to reforms

.ST 15 years or so 'ashionable among nger school of talk about bank- t least a couple of sters also seemed persuaded by the such a policy and en been an echo nk of Spain and the middle-rank- es in the banks

g in Spain remains tent as protected, tively uncompeti- ly profitable and fluential as ever. rprising therefore e banking board- should be strong change, even ters there is evi- erious thought is to Spain's world decade from now. Common Market and above all the more democratic nment may have.

six months after o's death and the King Juan Carlos s are necessarily), especially at a the economy is vorst trauma since t the end of the hose who argue or Spanish banks ink of a challeng- bly conflictive few to have a number e arguments on

tually all company in it is almost im- now just how well red last year, des- conomic problems, e of less than one igh inflation rate, ng balance of pay- it. The official all interest rates, for periods of over e fixed in relation nt rate means that vith an elementary of mathematics le to show a profit. is only part of the ties, and the larger ally have substan- n a number of in-

n last year, with its ly serious problems, satisfactorily for large banks, though series of question ing over some of the inter-linked smaller banks. Because of the necessity of maintaining business confidence during a time of political uncertainty it is unlikely that the problems now affecting some of the smaller banks which may have overreached themselves will ever become public knowledge, but there is little doubt that the Bank of Spain is having to keep a wary eye on some of the more wayward members of its over 110-strong flock.

With every chance that Spain will come out of the current world recession at least 12 months after other countries in Western Europe—the time factor being heavily dependent on the political situation—the banks find themselves in relatively uncharted waters.

Squeezed

On the one hand they are being squeezed by mounting Government demands for funds to aid the public sector and on the other by the necessity of maintaining an adequate cash flow to those companies within their particular orbit. For good measure they are being persistently pressed by the Government and indeed by their own top level management to channel more cash towards the stock market, which is suffering badly from nerves this year and could slide even more sharply if semi-official support were not available to assist in manipulating prices.

Neither can they be very cheerful at the sight of visiting foreign bankers sizing up the Spanish scene, in looking at the large number of multinationals that are operating, the amount of foreign loans that are going to be required, and concluding that "reciprocity" and possible EEC membership is inevitably going to open the doors to them before long. Indeed the Spanish regime has been considering allowing one American bank to open but ran into fierce opposition and may have temporarily shelved the issue.

The advent of half-a-dozen foreign banks, although they would not be competing for deposits from the general public, could prove a massive stimulus to the resident banking community, uncomfortably though it would be initially. Yet those foreign banks whose only doubt remains the nation's political stability need not start getting too excited, as there will first have to be some rather dramatic Government changes. Even then the battle will not be entirely won.

Such political changes would probably also signify more vocal demands for greater equality from the savings banks, whose deposits are over 70 per cent. controlled by the regime. Because the savings banks produce a large proportion of the cheap credit that is channelled to industry, especially the State-controlled companies, their interest rates to investors are also very low and there are regular complaints that margins are squeezed. Additionally the savings banks invariably have strong regional bases—the largest are in Catalonia—and there is resentment that funds are creamed off from the region and especially from the rural areas, in order to finance industry elsewhere.

The arguments against such a system are both political and economic. The so-called privileged circuits, whereby the savings banks are obliged to pick up the bonds issued by certain approved companies, can and certainly do disguise inefficiency, and at the same time do not stimulate management to earn the return on capital it would have to if obliged to borrow at more competitive rates. The extent to which some companies, especially the State-run ones, are now having to go into the Euro-dollar market is providing a salutary shock and with Spain's balance of payments deficit last year over $3.4bn., it is a process that is continuing.

Inroads

It was partly the small but significant inroads that the savings banks have been making in the contest with the commercial banks for deposits that led to a revision in legislation and freedom for the commercial banks to open new branches. Last year the commercial banks opened nearly 2,000 new branches, five times as many as in any previous year, and it seems for some a rather costly error. How many of these branches will subsequently close is open to speculation but some financial sources suggest that well over half will prove totally unprofitable and that they will not attract the deposits that have hitherto gone to the savings banks.

In other sectors, however, some of the larger banks have made useful strides, especially in the development of their corporate departments and in the management of portfolios. Their economic reporting, although bullish, has improved notably and there are other signs that without too many problems at least three of the top seven banks could adapt quickly to a more competitive system. At the rate some have been opening offices abroad it would assume that they understand foreign pressure on the Government to offer the same facilities in Madrid.

It would be unwise to assume that any reform measures are going to be forthcoming in the short term, even though the present Minister of Finance, Senor Villar Mir, is talking boldly of a serious Government-led attack on fiscal fraud. His standing in the banking world, whether justified or not, is scarcely an attribute and the difficulty he found in replacing his two deputy Ministers is indicative of the problems he faces even with the limited programme he has set himself.

The danger, both for the financial community and the well-being of the country—is that change will come one day at such a pace that it will be difficult to control. Obviously it will closely relate to the progress in introducing democracy and it is to be hoped that those frightened senior bankers can see the economic and financial benefits that a more open form of government can bring to Spain and that they are not tempted to retreat too precipitately into the bunker. But as some of them point out, "We have not done too badly over the past quarter of a century. Why change?"

Roger Matthews
Madrid Correspondent

Portugal

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National Statistical Institute. These show that re-discounting operations grew between 1973 and the beginning of March this year—from Esc.8.8bn. to Esc.100bn.

Much of this money has been needed simply to enable the banks to go ahead with their prime function at the present time—easing the cash flow problems which have afflicted the country's businesses, whether nationalised or privately-owned. A measure of the task this entails was given in a study carried out by the Bank of Portgual, which suggested that no less than 40 per cent. of the State sector had declined to a point at which commercial recovery had become impossible.

With unemployment already around the 20 per cent. mark and threatening to continue rising, the banks clearly will not be allowed by their political masters to pull out the plug on the companies they support and in many cases own, although some steps have been taken to lighten the load by making it permissible for companies unable to sell their products to go on to short-time working.

To offset this the Bank of Portugal has adopted a long-term strategy which it hopes will restore confidence among the public, while at the same time allowing it to streamline what had become a rather cumbersome, and in some ways antiquated, structure. As an initial step, the bank is closing down the private foreign exchange dealers who escaped the nationalisation net last year. The Bank of Portugal is determined to bring foreign exchange operations under its direct control and to all intents and purposes has already achieved this as far as the State-owned banks are concerned.

As part of the strategy of restoring confidence, notably among overseas workers whose remittances played such a large part in keeping the balance of payments in surplus until 1974, the Bank of Portugal has created a special deposits system under which emigrants can keep their money in Lisbon in the currency of their choice, with the right at the end of each six-month period to opt for either changing it into escudos or re-depositing it for a further six months.

Cautiously

The central bank is adopting a cautiously optimistic tone at present concerning the effectiveness of its measures, and there are strong indications that the remittances have started to flow again although they are still a long way short of the torrent that lasted until 1973.

Of course, the bank is only too aware of the dangers that restoring confidence entails at a time when inflation has hit an annual rate of around 50 per cent. This was the rate the bank was budgeting for as a mid-summer likelihood, and it is now considered probable that it will be well above the present figure within the next three months.

Other steps in the pipeline are a plan to cut down the number of banks, probably through enforced mergers, in order to eliminate wasteful competition. Apart from the mergers, the banks will be given more specialised functions to perform, the staff reductions being offset by increased hiring by the central bank to allow for its extra functions.

What will be done about the banks' portfolio holdings in industry and commerce is, of course, a political decision which is unlikely to be taken in the present political climate. The strategy for the public sector was supposed to be thrashed out by the Institute of State Participations, but this body has yet to find a firm footing and is to all intents and purposes ineffective.

Excesses

Like all other sectors of Portuguese society, the banks have been unable to avoid being affected by the excesses of the past two years. The greatest need in the near future is likely to be for skilled personnel, many of whom have left the country for Brazil because of the political climate. As politics, or at least the kind of politics which dominated the scene until only recently, ceases to exercise its all-pervading grip on Portuguese life, so, too, the banks may find they have the time and the resources for the recuperation they so badly need if they are to play their part in the years of economic reconstruction which lie ahead.

Paul Ellman
Lisbon Correspondent

NEW ZEALAND

A slow improvement

SPECULATION about possible devaluation of the New Zealand dollar should have been killed completely, first by recent Government fiscal moves and firm policy statements and secondly by internal economic trends such as the booming wool price and improved meat and export receipts.

New Zealand devalued by 15 per cent. last August and there have been periodic rumours that another devaluation is in the wind. These, however, can be discounted. It would make no sense for New Zealand to devalue under existing trends and indeed such a move would harm rather than help the economy.

With improved wool and meat prices farm incomes have risen substantially above last season's disastrous low level and seem set to keep on rising for some months ahead. Exports generally are starting to pick up again—the August devaluation gave exporters a valuable incentive—and wage increases have been kept to a modest level.

Devaluation now would do little to improve the farm income trend but the increased consumer prices which would follow would certainly stimulate trade unions into another fierce round of wage demands.

The National Government, which is capitalising on the gradual improvement in the economy caused by more favourable external factors, does not want another dose of price rises caused by devaluation. So if Prime Minister and Minister of Finance Mr. Robert Muldoon is asked during his overseas tour in April and May of the possibility of a New Zealand devaluation his firm, terse answer will be "forget it."

Even if Australia, which in many ways is affected by the same external factors as New Zealand, were to devalue it is unlikely that New Zealand would follow suit.

The New Zealand economy is still sick but can be described as convalescing. Inflation is still running at a high level and although much of this is imported inflation due to overseas price increases on the imports New Zealand cannot live without—for example, oil—internal inflation appears to be improving.

Export receipts are picking up again, wage costs are being kept under control, with, it must be said, the co-operation of the unions which have shown restraint in accepting only modest wage increases, consumer demand is slackening, private and Government capital works and expenditure has been curtailed and house building has slowed down.

Pricing

Widespread price increases — particularly of government services such as post, rail, electricity, freight and consumer items carrying subsidies — which came into force on April 1 to make pricing more realistic in comparison with costs, will further reduce demand.

In March the Government moved to tighten hire purchase on cars and television sets — both items with costly import content. This was another indication of the National Government's determination to restrict imports without extending import licensing, and although the new import licensing schedule effectively reduced the volume of those imports still covered by controls, by allowing only the same monetary value as last year, the Government did not extend the list of items covered by licensing.

For bankers — and for commerce generally — the most significant long-term development in the New Zealand financial structure over the past few months has been the freeing of trading bank interest rates from their previous rigid control.

This has thrown overboard a philosophy which has been inherent in the New Zealand financial structure for forty years. A rigid policy of low interest rates has been pursued by successive governments of all political parties. Government interest rates and those of the trading banks were controlled and always kept at levels well below the point they would have reached under a free market.

This put trading banks at a disadvantage in their operations when competing against non-banking finance institutions. The interest rates on government and local body securities were in fact so far below the market levels offered by other finance houses, and non-banking financial organisations, that virtually no one would buy them except institutions which were required by law to hold a certain amount of their deposit funds in government stock.

For many years trading banks and leading economists have been agitating for more freedom in determining their own interest rates. They received guarded support from the Reserve Bank but this was not sufficient to overcome the strongly entrenched opposition to any freeing of interest-rate controls which existed within the Treasury.

Now trading banks which have been under interest-rate controls since before the Second World War have been given the freedom to operate at normal market levels. They can offer more on deposit rates and charge more for loans and mortgages. Indeed, many trading banks have not yet adjusted entirely to this new situation.

They must now adapt their methods to work in a competitive situation. This has left the banking sector in something of a ferment, but this will settle down within a few months. It means, however, that New Zealand's banking activities in the borrowing and lending sphere, along with interest rates, will in future be more fluid as compared with the very fixed pattern which has applied for so many decades.

Most institutions have raised their mortgage rates by one to one and one-half per cent. to keep ahead of trading banks. The banks themselves can, for substantial deposits, offer whatever interest rate they think is justified or necessary to win the business. Government securities are now more attractive.

Part of the new philosophy is a realisation that variable interest rates can play a positive role in the control of inflation. They will encourage savers and remove distortions created by partial control of a complex market. The public will eventually find more mortage money available through the traditional institutions and will not have to borrow so much from the costly fringe market.

Invested

Over the past years a considerable amount of house-mortgage in New Zealand has been done through solicitors' funds. Some of this has been invested in less than part-time secured loans and this too is likely to disappear under the new freedom the banks are starting to enjoy.

Another aspect of the new move has yet to develop and when it does it may well come as something of a shock to many New Zealanders. This is the acceptance of the fundamental rule that interest rates can also go down as well as up. In New Zealand there has only been a movement in one direction, upward, for many years.

For New Zealand bankers, however, 1976, has been the year they won their freedom. Each of the five trading banks is approaching the new situation in a different way, and all are publicly secretive about the interest rates they are offering for deposits above NZ$12,000. Some have introduced two scales—one for deposits of between NZ$12,000 and NZ$25,000, another for NZ$25,000 and above.

Each bank seems to have approached the new situation differently. One bank is offering better rates for three year deposit terms, while others are trying harder to secure short tems deposits.

None of the banks is anxious to be so aggressively successful in attracting deposit funds as to put non-banking institutions out of business. This could happen with some of the weaker finance houses, and bankers believe the Government would be unhappy to see this occur.

The last thing trading banks want is to lose any of their new found freedom—particularly as few expected this to be so extensive.

Although the New Zealand economy and the finance situation generally still has a long way to go to recover, it is moving in the right direction. The terms of trade are still extremely bad, but there has been a moderate improvement and this in itself is a cause for relief.

The swings in New Zealand's terms of trade over the past five years have been extraordinarily violent and have had a tremendous impact on the New Zealand economy. Taking 1957 as a base index of 100, the terms of trade in 1972 increased progressively in New Zealand's favour each quarter from 95 to 106. By the first quarter of 1973 the index was up to 116 and peaked at 124 in Jun[e] to go down in the la[...] that year and t[...] accelerated until by 1974 it was down to [...] of 45 points in a rela[...] period. It kept on f[...] well into 1975, wher[...] bottom at a figure [...] March this year it [...] back to 74.

Caution

With restraint a[...] and with the cont[...] improvement in Ne[...] external situation [...] Zealand economy i[...] to continue its gradu[...] this year. There i[...] no possibility of an[...] easing by Governm[...] area of its financial [...] the whole of 1976. [...]ing for such moves [...] budget will be disa[...] reduced level of [...] and consumption [...] required to get th[...] back into balance [...] a tough budget can l[...] Next year, however [...] some easing—part[...] New Zealand's bala[...] ments situation imp[...] the disastrous lev[...] past two years.

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AUSTRALIA

Lack of direction

THERE HAS been more than one sign lately that the Australian banks are becoming decidedly irritated with the directions of the new Government's economic policies—or rather, as they see it, the lack of clear direction. Only a small part of the criticism has emerged in public and it seems to have made little impression on the Prime Minister and his senior advisers.

The banks have gone through a particularly difficult two years, starting from the previous Labour Government's massive credit squeeze in 1974, through the constitutional crisis of last year, when they were under pressure for a time to take extraordinary action to alleviate some of the effects of Parliament's failure to pass the budget, up to the present—where there are increasing doubts about the new Government's strategy for economic recovery.

Government policy, however, has not been the only new difficulty faced by the bankers. Competition has reared its unfamiliar head in a number of directions. The introduction of negotiable certificates of deposit two years ago saw an enthusiastic rush for funds, with real competition on interest rates in such a field for the first time in many years. Fingers were burned as conditions changed and it became a matter of concern to maintain the statutory minimum of liquid funds and Government securities (LGS ratio). The venerable Bank of New South Wales was one of the first to have to pay the penal interest rates involved in using the reserve bank's lender-of-last-resort facility to meet the statutory obligation.

The introduction of a fairly tough, and largely untested, trade practices Act has meant that the banks now talk to each other less, for fear of accusations of competitive anti-behaviour, which is now proscribed. And though the Government rein is still a tight one by any standards (the quid pro quo for a system which virtually guarantees the banks against failure), it no longer amounts to simple direction on most matters of commercial competition. In the past two years most of the major banks have had to resort to the Reserve Bank to preserve their LGS ratios. And they all detest it, some more than others.

There may have been an echo of that experience in a recent published comment by the Commercial Bank of Australia (CBA) that, despite its declared intentions, the Government had already created a tight money policy and in the process created confusion over interest rates. It was a most unwelcome remark so far as the Government was concerned because one of its preoccupations has been to deny any intention of inducing another credit squeeze.

Denials

The continuing denials can only suggest that such fears in the business community have not been dispelled. One of the favourite quick-acting measures of Australian governments to increase or reduce liquidity is to change the level of funds which the banks are compelled to deposit with the Reserve Bank—the statutory reserve deposit (SRDs). And on April 8, after more than two months of assiduously mopping up liquid funds wherever they could be found, the Treasurer, Mr. Phillip Lynch, announced a 2 per cent. release from the SRDs, amounting to $A300m. So far, this action seems just as likely to sustain the talk of a squeeze as to squash it.

Exactly three months earlier, the SRDs had been increased by 1 per cent. That was followed by the introduction of a new Government security, the Australia Savings Bond (ASB) series 1, which had to be closed after three weeks when it had soaked up $A759m. The series 1 ASB carried an interest rate of 10.5 per cent., compared with the 10.2 per cent. on offer at the longer end of the normal Government loan, floated at the same time.

The ASB idea was aimed deliberately at what the Treasurer chose to call the household savings area, where, for example, savings bank depositors alone hold more than

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A series of measures during 1975 included the introduction of concessionary rediscount facilities for export and pre-export bills to exporters in May and further modifications of *this to encourage greater participation* in October; the reduction of the minimum cash balance to be held by banks with the Monetary Authority of *Singapore by 1 per cent.*, injecting $S83m. into the banking system for credit purposes; and the freeing of interest rates in July. In response, the money *supply growth rate moved from* an average of 10 per cent. in 1974 to 19 per cent. in 1975 and 21.5 per cent. at the beginning of *1976*, although festive *season activity almost* certainly accounted for some expansion at the beginning of this year.

In his budget speech, Hon outlined *the major features of* Government policy as the expansion of money supply to ensure finance for the productive private sector at reasonable *interest rates*, liberalisation of foreign exchange control, development of the forward exchange market to give safe and favourable cover to traders grappling with floating rates, and encouragement of the bond and capital markets, with banks competing more in interest rates and discounts.

The foreign exchange liberalisation had already taken place in February this year with the extension of the scheduled territories to include Indonesia, the *Philippines and Thailand, allowing* Singapore residents to invest freely in these countries; the removal of restrictions on import and export of certain *currency notes; the raising of* the limits on Singapore residents' investments in foreign currency deposits and securities and properties, outside the scheduled territories, to $S250,000 for individuals and $S5m. for corporations.

In addition, exchange control formalities were removed for transactions up to $S50,000, substantially reducing the associated paperwork and need for documentary evidence. There are now 70 banks operating in Singapore, an increase of eight over 1975—the new banks were one full-licence local bank, the Tat Lee Bank, and seven foreign offshore banks (not allowed to take on domestic business without special permission).

The 70 include 37 full banks, 12 restricted banks (not permitted to take domestic deposits below $S250,000) and 21 offshore banks. There are also 38 representative offices, 21 merchant banks and one merchant bank representative, 20-odd regional offices, four discount houses and 36 finance companies.

A local monthly, *Singapore Trade in Industry*, reports this month that the merchant banks, which did extremely badly in 1974, losing almost $S1m., but slightly better in 1975, have been finding some of the Singapore Stock Exchange rulings on underwriting work rather obstructive. In particular, they feel that the risk exposure period is too long for a speculative market like Singapore's. Another problem for the merchant banks is the innate conservatism and secrecy of many local family businesses, afraid that consulting a merchant bank might reveal too many insider secrets.

Because of brisk competition in a small market, most merchant banks are now specialising—DBS Daiwa in bonds, for instance, New Court Merchant Bankers (*with Rothschild* link-ups) in bullion. Few merchant banks in Singapore deal in commodities.

The main thrust of Singapore's *claim* to the South-East Asian regional financial centre tag, its Asian dollar market, has moderated from an average growth rate of over 150 per cent. *for the first seven years of its* existence since 1968 to only 15.8 per cent. in 1975, reaching $12.6bn. in total assets and liabilities this year. There are 86 *Asian currency units in operation*, 13 of them among the 21 merchant banks.

To give the Asian dollar market some impetus, Finance *Minister Hon announced three* measures in his budget speech this year: fees, interest or commission received by Asian currency units for advising, confirming or refinancing offshore letters of credit would be taxed at the reduced rate of 10 per cent. for the year of assessment 1977; non-resident deposits with Asian currency units and approved Asian dollar bonds would be exempt from Singapore estate duty from January this year; Singapore Government tax-free bonds held by non-residents would also be exempt from Singapore estate duty.

The Singapore Government has in fact catered to the demand for bonds by offering a $S600m. registered stock for public subscription to finance development expenditure, including five-year tax-free and ten-year taxable stock in addition to the usual two-year taxable and 15-year tax-free stock. Most of the loan will be allotted to the Central Provident Fund Board (which administers the compulsory savings levied on workers wages and on employers) whose funds have already been placed with the Monetary Authority for the coming issue. The authority also commented "the banking system has also become more liquid, and the new issue should not have any adverse effect on the availability of funds for loans and advances."

Critical

There is unlikely to be any great activity in the bond market this year, with the distraction of a livelier stock market. The two new issues in December 1975, were more than enough and some encouragement from the Government was necessary in the case of the European Investment Bank's $20m. six-year loan at 9 per cent. The other issue was a $15m. issue for five years at 9¼ per cent. by the Japanese YS Line (Cayman).

This issue also illustrated well the Monetary Authority of *Singapore's commendable flexibility* and pragmatism. When syndicating the loan issue for the European Investment Bank, Indo-Suez Morgan Grenfell was alarmed to *realise* that local rules on bond issues meant all borrowers must have a trustee to protect the interests of the investors. Being a non-profit making institution set up by the European Economic Community, the bank could not meet this requirement. The solution was simple; the Monetary *Authority decided that* institutions of such standing need not conform to that rule.

The next major development in the banking scene will be the formalisation of the Monetary Authority of Singapore's de facto central bank status some time this year. Meanwhile, Singapore's Banking Institute, incorporated in November, 1974, but only operational late last year, is setting about the task of upgrading local banking officers' skills to match the recent rapid expansion and diversification of Singapore's financial centre.

The Institute, under director Mr. Tan Choon Tee, *formerly* deputy director of the local Adult Education Board, and deputy director Mr. Mark Wong, officer seconded from the local branch of the First National City Bank, has 131 members. These comprise 37 full banks, 12 restricted banks, 16 offshore banks, two representative banks, 20 merchant banks, 35 finance companies, four discount houses, three money-brokers, the Monetary *Authority of Singapore and* the Post Office Savings Bank. They pay subscriptions based on their staff size and the Institute's own operational budget needs.

About 800 students are attending courses ranging from foreign exchange to customer relations and management. The Government has taken great interest in the Institute which, although presently incorporated under the Companies Act and therefore subject to tax, may later be declared a proper Institute of Higher Education. Finance Minister Mr. Hon himself will preside over the official opening on April 30 and the Education Minister Dr. Lee Chiaw Meng spoke in February at an Institute seminar, stressing the need for the universities and the banking industry to work closely together in order that the industry's manpower and skill gaps could be closed by training up the right graduates in the right subjects.

Another focus of interest this year will be the $S-denominated negotiable certificates of deposit, first issued in May, 1975. By the end of last year certificates issued numbered 528 in all. They were not as popular as bank deposits, the economic survey accompanying this year's budget speech remarked. The Monetary Authority has said that this instrument, sensitive to local money market conditions, will enable issuing banks to compete *more effectively for local* funds and, by shifting the deposit structure more towards fixed deposits, will secure a more stable deposit base

Ilsa Sharp

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a matter of fine balancing for the monetary authorities. Despite the Government's continued determination to reduce the budget deficit by every *means available, deficit* spending at the rate of about $A400m. a month will provide an important part of the balance.

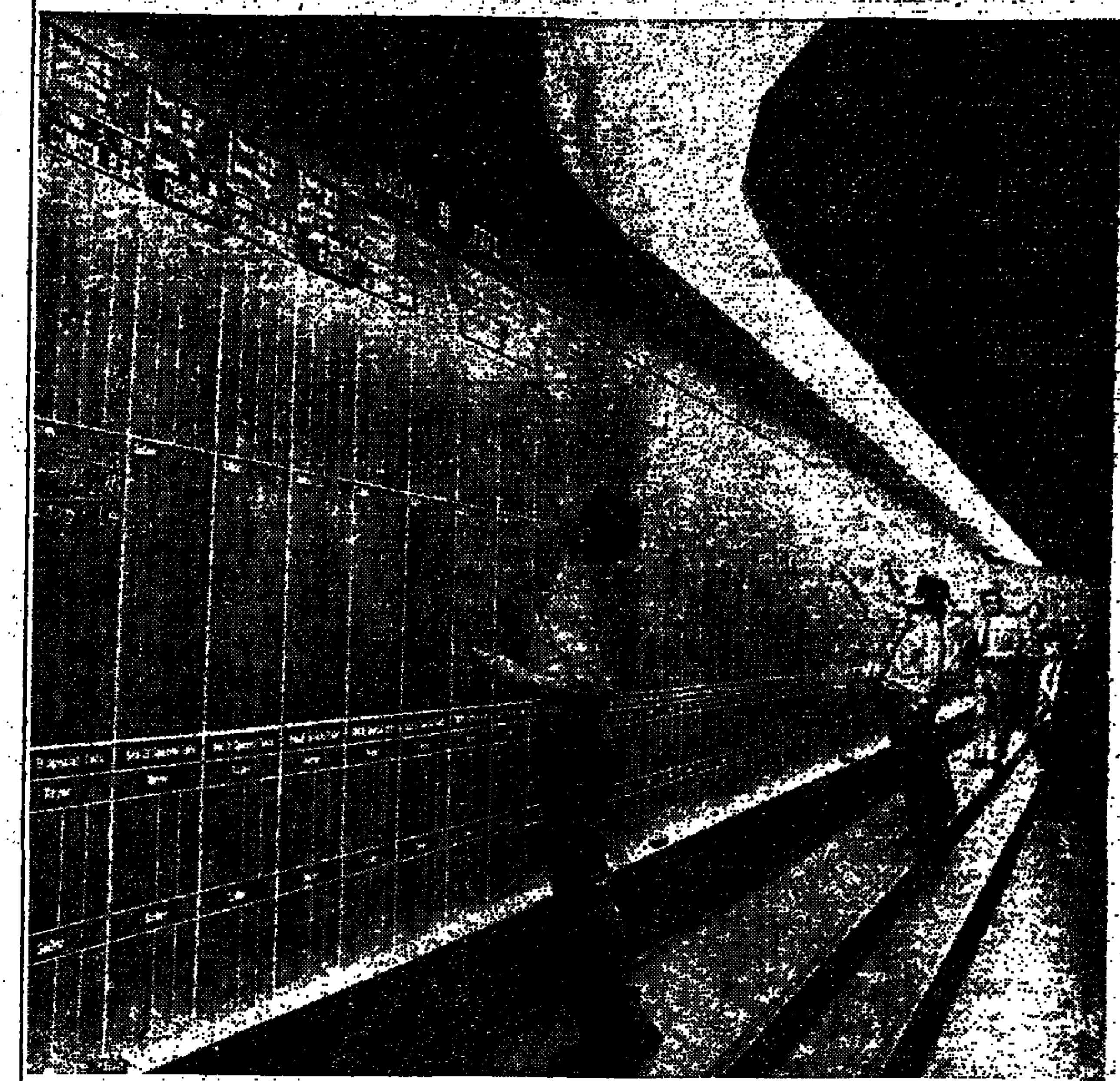
Back in January, the banks agreed with the Reserve Bank and the Government to hold new lending commitment to about $A90m. a week, with the aim of holding money supply growth under 15 per cent. New commitments had been $A99m. a week in December. They were $A98.5m. in January, $A96.5m. in February, and $A107m. in March. Neither the banks nor official sources have admitted to a change in the guidelines. If, in fact, there has been none, it will be *interesting to see* whether the Government is prepared to accept the banks' judgments ahead of its own.

Mr. Lynch's critics are starting to accuse him of holding a fixation about the money supply as a prime concern in the Government's efforts to reduce inflation. The Treasurer has talked of his mopping-up operations in terms like "defusing a time bomb," but the fact is that there is no sign of all the money in bank accounts being transmitted into inflation. There has been no build-up of real activity in the economy and, indeed, the Government, which hammered the need for an investment-led recovery in its election campaign last December, is now exhorting people to get out and spend—without success.

The Government has shown the flexibility it promised, even at the cost of some confusion among the bankers. There seems, too, to be a growing realisation of the need to go beyond the banks for advice and information—a belated recognition of the rise and diversification of the non-bank financial institutions in the past eight years or so.

Mr. Lynch has established a widely representative "economic consultative group" and a series of advisory committees corresponding with the categories defined under the Financial Corporations Act, originally seen by the Labor Government as a more direct instrument of control in the fringe bank area. Naturally it will be a slow process developing this sort of consultation into anything approaching a quick-reaction monitoring system, let alone an effective arm of economic management. It is a start, however, and it probably speeds the beginning of an inevitable move away from the situation where the banks were the sole front-line institutions in Australian economic management.

Kenneth Randall
Canberra Correspondent



The Hong Kong Stock Exchange.

HONG KONG

Better than expect[ed]

THE PAST year has not been a particularly easy or profitable one for Hong Kong's banks, but it has certainly turned out better than many bankers expected at the beginning of 1975. Two years of economic stagnation in a growth-minded economy coming after an unprecedented boom could well have been expected to lead to serious problems. They did not.

There were three reasons for this. The first was conservatism on the part of bankers still mindful of the 1965 banking crisis—one of the watersheds of the Colony's economic history—and perhaps forewarned by the early 1973 stockmarket collapse. (The Colony must always be thankful that over a year elapsed between the market collapse and the sharp move from boom to slump conditions. The time gap was crucial for many, including some banks which for a while were overexposed in stock and property loans.) The bankers' ensuing conservatism in 1974 was reinforced by the watchful eye of the Banking Commissioner.

The second reason was that banks in Hong Kong are still concentrating very much on short-term trade finance secured on goods in transit or in process of manufacture. For example, at the end of 1975 general commerce accounted for HK$9.3bn. out of total loans and advances of HK$24.9bn. Comparatively little is advanced in respect of long capital spending programmes by industry, or in property financing and the like — though these have grown in recent years.

Recovery

Last year even demand for ordinary trade finance facilities was low as the volume of trade, until recovery in the last quarter, was sharply down on 1974 and prices of both imports and exports fell in local currency terms. This meant that banks were not under pressure from regular customers to increase facilities at a time when the banks were preferring to remain as liquid as possible.

The third reason was largely chance—or, to be more precise, a reflection of the Colony's conservative monetary policy (or lack of policy) rather than the innate wisdom of the bankers.

There was a steady flow of funds into the colony in search of refuge from financial and political storms elsewhere. Early in 1975 there was a rush into the $HK, partly as a result of pressure on the $U.S. in world markets and partly as a result of Hong Kong's obviously very low inflation rate. At one time this inflow pushed the rate against the $U.S. up to $HK4.65 compared with an old central rate (prior to the November, 1974, float) of $HK5.08.

Though this speculative pressure subsequently subsided in the face of Hong Kong's trade realities and the $U.S. rose back to just above $HK5.00 by July, the inflow continued. It was given a further boost in April and May as funds flowed out of South East Asia in the wake of the Communist victories in Indochina. At the same time, the Colony appeared to be enjoying a surplus on current balance of payments account as the deflationary effects of recession kept demand for both consumer and capital goods at a low ebb. The net result of these influences was that at a time of deep recession, high unemployment and stable or even falling prices, money supply continued to expand rapidly.

In the first six months of 1975 domestic deposits of the banking system rose $HK3.1bn. to $HK34.1bn., an increase of nearly 10 per cent. at a time when the state of the economy as a whole was at its very worst. This unusual state of affairs was not necessarily very profitable for the banks, but it did mean that executives did not lose sleep at nights. There was never even the beginning of a serious rumour of a run on a finance company, let alone a bank.

By the end of 1975—the liquidity of the banking system had increased to 49.8 per cent. from 44.9 per cent. a year earlier and rose over 50 per cent. in early 1976. The liquidity ratio was in fact slightly exaggerated by the very rapid growth of overseas business. Amounts due to banks abroad rose by $HK5.8bn. to $HK21.2bn. during the year and amounts due from banks abroad by $HK4.5bn. to $HK21bn.

As most of the claims on banks abroad count as liquid assets, when they grow more rapidly than domestic deposits the apparent liquidity rises faster than it would otherwise do. Still, by any measure liquidity grew rapidly—as for example, measured by the ratio of domestic loans and advances to domestic deposits, which fell from 76 per cent. to 69 per cent.

Rising liquidity and falling interest rates can of course be bad for bank profits, particularly in Hong Kong's situation where the lack of $HK liquidity instruments means that banks must be careful to avoid exchange losses in acquiring liquid assets denominated in other currencies. Nevertheless, the year cannot have been a bad one from the point of view of interest rate spreads.

Rates reached a low in recent years on March 12, 1975, and have stayed there ever since, with the savings deposit rates down to 2.5 per cent. and time deposit rates ranging from 3.25 per cent. for three months to 5.5 per cent. for 12 months. The quoted best lending rate has also come down—to 6.5 per cent. But with banks still quite cautious about their lending, customers have not been able to shop around easily to get close to the prime.

Banks in Hong Kong are not required to reveal their true profits, so it is not too easy to determine what effect all this has had on profitability. Some observers suggest that ordinary trading profits have been buoyant because of the sharp increases in balance sheet totals and interest rate trends, but that some substantial provisions have had to be absorbed in respect of casualties of the recession.

The Hongkong and Shanghai Banking Corporation increased its declared consolidated profits by 11 per cent. to $HK333m. However, all of this, or even more, appears to be attributable to its subsidiaries, notably Wardley, its merchant banking arm, British Bank of the Middle East, and Hang Seng Bank, its 51 per cent. owned subsidiary (which has the third largest branch banking network in the Colony after the Hongkong Bank itself), and the Chartered Bank. It seems possible that the Hongkong Bank itself increased profits from its local operations but that these were offset by difficult conditions in South East Asia and elsewhere overseas.

Smooth

More typical of specifically local conditions would be the Hang Seng Bank itself, where profits rose by 11 per cent. to $HK91m. and the Bank of East Asia, the leading local Chinese-controlled bank, where profits rose 3 per cent. to $HK25.3m.

Not everyone has had such apparently smooth sailing. For example, Overseas Trust Bank, in which the Toronto Dominion Bank has a major stake, and which controls another Hong Kong Bank, the Hongkong Industrial and Commercial Bank has experienced a very sharp fall in profits. It is possible that its profit problems might be related to non-banking interests.

The extent of equity interests in non-banking operations held by some Hong Kong banks, most notably the Hongkong and Shanghai Bank with its big holdings in, among others, Jardine Matheson, Cathay Pacific, Y.K. Pao's world-wide shipping group, Hutchison and the Cross Harbour Tunnel Company, is still sometimes a subject of criticism in Hong Kong — not that many dare raise their voices too high. Though much is said of Hong Kong's dedication to economic liberalism, it is the power of money and monopoly rather than of the principles of Adam Smith that often count most.

While the commercial banks have thus generally had an unremarkable year in profit terms, the merchant banks catering to the Hong Kong domestic market have been experiencing a very sharp recovery from 1974 and early 1975 when they sat around doing almost nothing. Since the middle of last year there has been a very steady stream of major offerings — rights issues, convertibles, bonds running into many hundreds of millions of local dollars.

Many of the big names have been there — Jardine Matheson, Hongkong and Whampoa dock, HK and Kowloon Wharf, HK Telephone—even the Hong Kong Government itself, with a $HK250m. bond issue. Wheelock Marden is to join the list—for reasons as yet unexplained — and the Mass Transit Railway will be looking for more local finance. There have also been some takeovers, [...] abortive bids.

All this activity [...] been prompted by [...] stockmarket and i[...] has done wonders [...] such as Wardley ([...] last year rose from [...]ing to $HK25m [...] Fleming, Schr[...] Chartered, Kleinw[...] and Rothschild. U[...] too on the local [...] Asian International [...] and Capital, form[...] Walker Hutchison [...] rough patch not [...] both its parents it [...]trolled by Westde[...]desbank.

The number of f[...] with representatio[...] Kong, either throu[...]tative offices, re[...] sidiaries or cons[...]tions, continues to [...] from trade invol[...] appearance from t[...] on tombstone adver[...] is difficult to es[...] levels of activity [...]lity. Locally incor[...]sortia which report [...] generally been sho[...]ward trend despit[...] bad debts, but the[...] too young and the [...] scanty to come to [...]sions about them.

Meanwhile, ho[...] larger finance co[...] many of which f[...] have substantial [...]terests, are likely [...] from the deposit [...]nance which came [...] this year. Aimed a[...] the finance compa[...] down, among othe[...] minimum deposit o[...] This high level will [...] to the larger comp[...] generally only de[...] deposits anyway, [...] mean that small, Ch[...] will suffer while [...] banks will benefit [...] deposits return to [...]

Victory

This regulation [...] companies was a vic[...] established banks. I[...] be seen whether th[...] Secretary will ret[...] earlier promise to [...] banks in turn to g[...] petition, either by g[...] licences or ins[...] "middle" class of [...] between the banks [...] companies. His or[...]posal to do this w[...] in late 1974 because [...] from the licensed [...] time of financial in[...]

Something else [...] Financial Secretary [...] wanted to do was [...] banks avoiding a lar[...] tax by channelling [...] in Hong Kong throu[...] accounts which th[...] overseas income ex[...] tax. Actual tax rate[...] in Hong Kong are [...] be no more than abo[...] cent. This is a ma[...] considered by a[...] Revenue Ordinance [...] Committee recently [...] examine the mec[...] direct taxation in th[...]

Philip [...]

Changed cost structures have ended the long growth period of mail order selling. Elinor Goodman explains that high postage and credit charges have upset the industry's relative immunity to recession.

Why mail order is abandoning the post

MAIL ORDER retail selling has reached a watershed after a long period during which, traditionally it was considered almost immune to recessions plaguing shopkeepers. Inflation has taken its toll thrice over: by sending up postage, by increasing the cost of credit generally granted to customers, and by making ever more risky the need to maintain fixed prices during the six months' validity of the catalogue.

In late 1974 most of the mail order companies put on the brakes and the effects are still being felt to-day. It may be some time before the business regains its reputation for above-average growth.

Mail order acounts for around 4 per cent. of all retail sales, only slightly less than the department stores which, among shops, offer the most nearly comparable range of merchandise and prices. One in three adults buys from a mail order catalogue using a network of 3.8m. agents, who are paid 10 per cent. commission on everything they sell. As the goods are all delivered to the home, the mail order industry has become one of the largest customers of the Post Office, sending one in every four parcels posted in Britain. It also accounts for over half the credit sales made each year.

King's Road

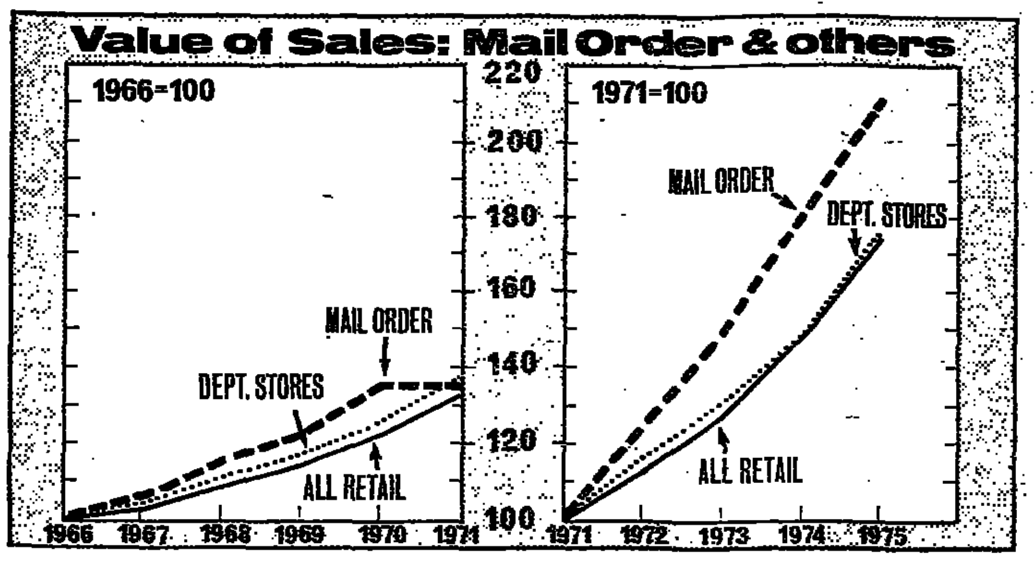
The range of goods may not be in fashion, judged by the terms of the King's Road but clothes are only included in the catalogue because it is thought that they will appeal to mass market tastes. Many of the household durables are branded items. In essence the range is wide, but shallow. Judged by the terms of the High Street, prices are by no means always low. For a start they have to cover the agent's 10 per cent. commission. Moreover, though the sum of the weekly instalments is the same as the cash price, the cost of credit is obviously built into the price.

Agent

The attraction to the agent is primarily the 12½ per cent. discount she (women outnumber men nine to one) gets on the goods she orders for herself. She is paid no salary or social security contributions and, as the average agent only sells £220 worth of goods a year, makes relatively little in commission.

The great advantage of the mail order companies over other retailers has traditionally been that they do not have to pay for running or staffing shops. Fixed capital investment is therefore relatively low, and the business traditionally has been self-financing.

The companies also have enjoyed a unique relationship with their customers. Though the agent is not liable at law for a customer's debt, the agency system, which is built largely on friendships, can when it works well, provide a highly personal credit vetting service which no traditional retailer could imitate. An agent's evaluation of credit worthiness, however, is no longer considered sufficient and the mail order companies have extensive computer credit checking facilities. The high level of unemployment is an obvious reason.



The difficulty of building up an effective agency network has been one of the factors which has kept newcomers out of the market. Though agents can be "bought" by heavy advertising, it is an extremely expensive business. Most of the mail order companies which have sprung up in recent years have tended to sell "direct" to individual customers rather than through agents. As a result, the line-up of the big six agency mail order companies has not changed much since the 1950s. The market, now worth over £1bn. a year, is dominated by Great Universal Stores—which operates the five British Mail Order Corporation catalogues, and Kays of Worcester—and the Littlewoods Organisation. Together, they take over half the market followed by Freemans, Grattan, Empire, and the UDS subsidiary, John Myers.

Precision

Mail order requires an almost mathematical precision in forecasting. Prices have to be fixed up to two months in advance of the catalogues going out and the merchandise selected six to nine months before that. In theory, anything in the catalogue should be available for the full six months of the book's life and though companies now tolerate a higher out of stock position than they used to, seriously underestimating demand can prove expensive.

Mail order companies may not have had to pay escalating rates and rents for shops, but their carriage-bill, which equals 5 per cent. of sales, has not lagged far behind the increase in shop overheads. One company, for example, says that its postage has gone up by 80 per cent. over the last 12 months. At the same time, the cost of producing the catalogue has gone up from around £2 a copy a year ago to nearer £3. Net margins have been further eroded by the impact of the maximum £6 a head flat wage increase though, as mail order began with a higher average wage than retailing, the effect (in percentage) on wage costs has been less severe than for shops which, besides, have a higher staff to sales ratio.

In the good old days, mail order companies managed to finance growth from profits. But with inflation all retailers, have needed more cash merely to replace existing stock. The liquidity strains were worse for the mail order companies because theirs is a credit business and they therefore do not receive full payment for goods sold until after the supplier has been paid.

Carriage

The big companies saw the warning signals in the autumn of 1974, before the Chancellor announced tax relief on stocks which, in the event, proved of great help to the industry. All the big companies reduced their basic credit terms from a maximum of 50 weeks, and in some cases 100 weeks' "free credit," to 38 weeks. Some still offer 50 weeks on car insurance and others, like Grattan, offer 100 weeks' credit on some items for a small charge. Freemans also introduced a minimum repayment of 25p—a move which it was thought would dampen demand given the traditional importance attached to keeping down the size of the weekly repayment. Most of the companies also cut agency recruitment and stocks. Uneconomic items—usually the heavy items such as drink selling at a low unit price—were dropped from some catalogues and all the companies tried to reduce returns, partly by weeding out their agents. Returns can run as high as 40 per cent. of goods sent out to customers. Low performing agents found they did not receive a new catalogue and in some cases catalogue sizes were reduced to cut postage.

The result was less growth. Of the three publicly quoted mail order companies to publish their results this year, only Freemans produced a real volume increase in 1975 though both Empire and Grattan managed to increase their profit. Littlewoods, which in 1972 cut its gross margins in a bid for extra volume, also put on the brakes last year. Sales rose by 20 per cent. but the company says most of this was due to inflation.

Profit

The Government figures show the same muted picture. On the face of it, indeed, it would seem that the mail order industry's reputation for above average growth has finally been lost. Cash turnover in 1975 was up 17 per cent. on 1974 as against a 17.7 per cent. increase in non-food shops. But given the mail order companies' mix of merchandise, the volume of sales was probably only fractionally less than in 1974, as against a fall of about 1.5 per cent. in non-food shops. Even so, it was practically the only year since the war, apart from the postal strike year of 1971, in which the mail order industry did not notch up a gain in volume. The official retail statistics are too distorted by clearance sales to give much of a guide to the relative performance of the mail order companies in the first few months of 1976, but none of the companies are budgeting for big expansion. Some are, however, stepping up their recruitment and Littlewoods says its unit sales unexpectedly are higher than a year ago.

If 1975 was a poor year for growth, it was also a year in which the mail order companies did some valuable adjusting, most notably by efforts to lessen dependence on the Post Office. Freemans, for example, is experimenting with a limited home delivery service of its own while Littlewoods, which currently delivers 35 per cent. of its parcels itself, intends to increase this figure to 70 per cent. by the end of the year. The problem is that though the mail order companies are cushioned from the immediate impact of price rises on their outgoing mail by their contracts with the Post Office all the incoming mail from agents — the weekly payments and returned goods — is outside the contract scheme. And all of it has to go first class for speed.

Post Office

The search of the mail order companies illustrates, as nothing else could, the problems of the Post Office. All the big companies are building up their own delivery service for parcels. Eventually all the Post Office may be left with of what used to be its most lucrative business could be carrying letters, and delivering parcels to outlying areas which the mail order companies cannot themselves serve economically. That means those areas precisely which the Post Office cannot serve economically either.

Letters to the Editor

Superficial relevance

From Professor R. Revans.

Sir,—I got home very recently from Malaysia (where I had given the Tungku Abdul Rahman Lecture, on "the need for the developing countries to secure their independence of Western experts and Western values") to read Professor Hunt's letter in your number of April 2. I am sorry he is put out at my turn of phrasing, but I do employ all the moderation at my command. May I be permitted the chance of convincing him?

In 1965, after 20 years in British management training, ten among the mining engineers, the rest with the graduates of The Manchester College of Technology, my suggestions for action learning at our new local business school were continuously blocked by its camarilla of professors, some of whom, but not all, were also disguised as scholars. As I understood their policy, it was to ensure that the academic rabbits should now be so well fed in this new University hutch that they would not need to pursue the tigers of the industrial jungle. This economic argument I was able to grasp; only when the formulas of quantitative methods, econometric modelling, operational research and business policy were introduced in order to pass off talking about chasing tigers as the tiger chase itself did the time come for me to get out.

I went abroad because, given the lushness of the fodder at the time, it was impossible to interest any of my British contemporaries in the real tigers of the business world . . . . Who could be induced to think of such things when, in July, 1969, a national newspaper could report a business professor telling his graduates "We have taught you all there is. You know you've learnt all there is," so that the striplings were "embarrassed by sheer excellence of the mental equipment they had been given"? . . . . Or who could be persuaded to listen to reason when a serious newspaper advised that impending speeches of economics teachers should be awaited before investing overseas? . . . . We need a Day of National Humility, whereon the PRO's of our management foundations are forced to re-read such pronouncements from the steps of Carey Street.

Professor Hunt feels that I malign my profession, and implies that other members of it were sharing my alarm. I cannot let Professor Hunt suggest that others have long been practising all that I have been on about these 30 years. I was long aware, of course, as others have lately discovered, that the fodder would not last; I was long aware that much management education would one day be revealed as the sententious trash that I have always declared it. I am particularly aware of the resourcefulness of slippery intellectuals in claiming to have pioneered what the half-clever among them used to ridicule and the wholly ignorant to oppose. But we have a duty to protect helpless British businessmen, no less than African chiefs and Malay traders, from wasting their time on management seminars that can have only superficial relevance to their livelihoods, and none whatever to the enrichment of their lives.

The certainties of one decade become the questions of the next. Now that we are forced to ask ourselves whether or not the Belfast priest is indirectly the instrument of murder; whether or not the medical clinic actively promotes the disease; and whether or not the juvenile delinquent explicitly learns more crime in gaol, is it not simply prudent to assure ourselves that the business school does not positively impede our economic recovery?

R. Revans.,
8, Higher Downs,
Altrincham, Cheshire.

Housing finance

From Mr. E. Hansen.

Sir,—In the context of Mr. Cassel's report (April 21) dealing with Government thinking on the subsidy enjoyed by house purchasers by way of income-tax relief on mortgage repayments, I believe that the real subsidy accorded to tenants of local authority housing is not generally known.

The following figures relate to a scheme for 127 dwellings to be built shortly by a local authority in the South West, they are derived from the published Council Minutes.

Total capital cost for 127 dwellings: £1,403,222
Cost per dwelling: £11,049 (including land)
Annual revenue cost in first full year:—

Debt charges	£182,560		
Management	£ 5,842	(£46 per dwelling)	
Maintenance	£ 6,985	(£55 per dwelling)	
Total	£195,387		£195,387
Less Rent income:			
Nominal	£ 45,000	(£354 p.a. average)	
Less rebates	£ 13,500	(@ 30% average)	
Net	£ 31,500		£31.500
Leaving annual cost to tax/rate payers of 127 dwellings			£163.887
Annual cost per dwelling			£1,290
Met by Government out of taxation		£1.028	
Met by Local Authority out of rates		£ 262	
			£1,290

These figures are typical of local authority housing schemes currently under construction in the South West and that of £1,290 per annum is surely a more valid basis of comparison with the house purchaser's income-tax relief than that of £240 per annum quoted by the Building Societies Association as the average subsidy to council tenants in the past financial year.

E. A. Hansen.
Pennwood, Meavy Bourne.
Yelverton, Devon.

Taxpayers' subsidies

From Mr. G. Armitage.

Sir,—Mr. Cassel's article (April 21) on financial "aid" to the housing sector was interesting and timely in view of possible changes in Government policy. It would, however, have been interesting to have seen the suggestion that home owners are receiving Government subsidies developed a little more clearly, particularly as the Government's resources come in the first instance from the taxpayer.

The case that the wealthier section of the population is receiving housing aid, through tax relief on mortgage interest, presumably rests on the doctrine that the whole of one's personal income belongs to the State and any part which the State permits to be retained is "aid."

The taxpayer with higher than average income will naturally obtain higher than average tax relief on his mortgage interest—assuming he does have a mortgage — simply because his tax burden is higher than average. It should be borne in mind that his burden is likely to be not only higher than average in the U.K., but also compared with other countries, even after taking account of tax relief on interest. Unfortunately (for the taxpayer) the level of interest attracting tax relief is never likely to be sufficiently high to have a significant effect on the relative tax burden due to the constraints in relation to income applied by building societies on the level of loan advances provided.

It would be interesting to see some impartial statistics of average owner-occupied household income compared with the average for council houses—the "average" home owner seems likely to be a person of relatively modest means. It should be borne in mind that the owner-occupier has to bear increased costs immediately prices rise, but not so the council house tenant who in many districts is "cushioned" by the ratepayer and the taxpayer.

As to the question of changing the basis of tax relief for interest as a means of redistributing income "from the rich to the poor" the present tax structure, and rating system, has already achieved this with a vengeance.

G. M. Armitage,
9, Sherwood Avenue,
Ruislip, Middlesex.

Tax relief on homes

From Mr. M. Brady.

Sir,—Michael Cassel (April 21) cites the claim of the Building Societies' Association that, in the past financial year, average tax relief per dwelling was £94. This estimate makes no allowance for the fact that, since 1963, owner-occupiers have not been liable for income-tax on the imputed rental value of the dwellings they occupy. If this consideration were taken into account, estimates of the average tax relief per dwelling, and the total tax revenue foregone, would surely be much higher. The calculation could be based on a comparison of the present situation with one where income-tax is levied on the imputed rental value less offsets in respect of repairs and the interest element alone in mortgage payments. It would be interesting to learn the amounts involved.

Mark Brady.
6, Raglan Road,
Frinton-on-Sea,
Essex.

Computer chaos

From Mr. K. Maskery.

Sir,—It amazes me to think that we can employ senior civil servants to control a small department of the Home Office employing 80 persons, who apparently were able manually to produce correct wages (Page 9, April 22) but after the installation of a computer which supposedly should cut working staff, and does do in private industry, increases the work-force by 50 per cent. to 120. It is no wonder that whenever we read about estimates being wrong the figures which presumably are compiled by senior civil servants mislead not only us, the public, but also delude them into thinking how expert and efficient their departments are.

K. Maskery.
Apple Tree Farm,
Sandy Lane, Brown Edge,
Stoke-on-Trent.

Illegally acquired

From Mr. J. Lane.

Sir,—I have long felt it iniquitous that the small investments of hard-earned cash by small investors in small companies, chosen for their sound progressiveness, could be compulsorily acquired by highly geared companies, in times of cheap money, in return largely for unsecured loan-stock. At best this stock falls materially in value when interest rates increase, at worst (and this has usually been the case) the highly geared company fails and all is lost. It is most interesting to learn from your correspondent, Mr. A. E. Morrison (April 21) that this may be illegal.

The other side of the same coin is the small holding which goes virtually into limbo if the small investor resolutely refuses to say what is manifestly untrue, that he wishes to exchange his shares for those offered. In this case the offered shares are alleged to be held in trust for the unfortunate investor who receives no dividends, no accounts, no notice of meetings and in fact not a word from either company until he toes the line. Surely this must be illegal, even if the acquisition itself escapes illegality.

J. Richard Lane.
Runfold Heath,
Crooksbury Road,
Farnham, Surrey.

Banks and their assets

From Mr. W. Courcouf.

Sir,—In his article on bank charges (April 12) Mr. Gordon Tether suggests that the question of what the banks are entitled to take from the rest of the community provides an appropriate starting-point for a wider debate. Certainly it is not a question about which it is easy to be logical.

Mr. Tether, and Mr. Edward Holloway to whose letter of April 5 he refers, have in mind primarily the Treasury bills held by the banking system. Interest is earned on these bills wherever they are held in the market, be it by banks, discount houses, other financial institutions, the private sector or the overseas sector, but Mr. Holloway feels that when the banking system holds them it is providing a service rather than making an investment. "No question of savings arise" he says. But where should we draw the line? Leaving on one side the medium and short-term government securities held by the banks, what can be said of the loans they make to industry—or for that matter to the personal sector? Do these do more than provide a service? Does any question of savings arise in regard to them?

A wider debate might throw some light on the question of whether the banks are fundamentally different from all other financial institutions, and enable us to see if their assets should be treated in a special way.

W. J. Courcouf.
Newleaf,
Westhumble, Surrey.

To-day's Events

GENERAL
TUC-Labour Party Liaison Committee meets.
TUC Economic Committee holds special meeting.
Session of General Agreement on Tariffs and Trade (GATT) begins, Geneva.
CBI delegation, led by Sir Ralph Bateman, Confederation's president, begins four-day visit to Japan.
Sir Campbell Adamson, CBI director-general, and Mr. John Whitehorn, deputy director-general, on week's visit to U.S.
Mr. Jack Jones, general secretary, Transport and General Workers' Union, speaks at Freight Transport Association dinner, *London Hilton*, W.1.
Mr. Alick Buchanan-Smith, "shadow" Secretary of State for Scotland, addresses Perth and East Perthshire Conservative Association Lunch Club.
Sir Lindsay Ring, Lord Mayor of London, attends Clothworkers' Company dinner, Clothworkers' Hall, E.C.3.
Mission to promote British tourist industry, led by Lord Montagu of Beaulieu, in U.S. until May 15.
Union of Shop, Distributive and Allied Workers' conference, Blackpool.

PARLIAMENTARY BUSINESS
House of Commons: Iron and Steel (Amendment) Bill, second reading. Proceedings on Statute Law (Repeals) Bill (Lords). Motions on Prevention of Terrorism (Supplemental Temporary Provisions) Orders.

OFFICIAL STATISTICS
Consumers' expenditure (first preliminary estimate, first quarter).

COMPANY RESULTS
John Laing and Son (full year). Simon Engineering (full year).

COMPANY MEETINGS: See Week's Financial Diary on Page 9.

OPERA
Royal Opera production of Eugene Onegin, Covent Garden, W.C.2, 7.30 p.m.

BALLET
London Festival Ballet dance Le Baiser de la Fee, Witch Boy, and Bouree Fantasque, Coliseum Theatre, W.C.2, 7.30 p.m.

MUSIC
Bach Choir centenary concert: Bach Mass in B minor, Royal Albert Hall, 7.30 p.m.
Craig Sheppard gives piano recital of music by Hadyn, Schumann, Debussy, Liszt, and Wagner, Queen Elizabeth Hall, S.E.1, 7.45 p.m.
Abraham Abreu gives harpsichord recital of works by Dowland, Frescobaldi, Picchi, Scarlatti, and Bach, Wigmore Hall, W.1, 7.30 p.m.

COMPANY NEWS + COMMENT

Marshall Cavendish well over forecasts

GROUP PROFIT, before tax, for 1975 of Marshall Cavendish was £2,276,000, which compares with £1,163,000 for the previous year and exceeds the forecast of over £1.6m. made in the interim statement. At halfway (24 weeks) profits were up from £232,000 to £909,000.

Sales for the year were down from £17.53m. to £12.88m.—the interim statement said the cut-back of U.S. activities had been largely completed.

Earnings per 10p share are shown at 3.36p against 2.58p, and the dividend is raised from 2.01p to 2.925p net with a final of 2.03125p. The final is equal to 3.125p gross, compared with at least 2.75p forecast.

The proportion of profits contributed by publishing activities other than partworks continues to increase, the directors state. They seek to accelerate this trend by the investment of the cash resources (over £2½m.) in publishing and related activities.

Present indications are that 1976 will be "a reasonably successful" year, although profits may not reach the high level of 1975. However, it is anticipated that the current level of dividends will be maintained, the directors add.

	1975 £000	1974 £000
Sales	12,884	17,525
Profit before tax	2,278	1,165
Taxation	1,197	632
Minority	8	17
Extraord. debit	—	515
Attributable	1,073	*
Dividends	535	402

* Deficit.

See Lex

Pontin's confirms estimate

IN THEIR interim statement, the directors of Pontin's, proprietors of holiday camps and villages, confirm last November's forecast that group pre-tax profit for the year to March 31, 1976, will be at least £4.5m., compared with the £3.6m. reported for 1974-75.

The confirmation is given in the light of the interim figures for the seven months ended October 31, 1975—turnover up from £20m. to £27m. and profit from £5,141,000 to £6,483,000—and having regard to subsequent experience, say the directors.

Most of the year's trading income is received in this seven months' period, and it is subject to the five months' winter expenses before the final trading profit can be determined.

In the present economic climate and the unemployment situation, bookings for the 1976 season, both in the U.K. and overseas, are considered satisfactory, the directors report.

They add that industrial disputes have delayed completion of the first phase of developments at the newly-acquired Prestatyn Holiday Centre and, therefore, this centre will not make its anticipated profit contribution in the 1976 season.

The 1974-75 profit figure of £3.6m., included £125,500 commissions waived by Mr. F. W. Pontin, chairman and managing director.

As known, the 1975-76 dividend, payable on capital increased by rights and acquisition issues, is the maximum permitted 1.5p net per 10p share, against 1.4056p previously.

Statement, page 40

Zenith efficiency drive

AT PRESENT, Sir George Farmer, chairman of The Zenith Carburetter Company does not see any material improvement for the industry this year.

During the period of reduced activity the company's attack on economies and efficiencies was increased further.

Immediate targets to control strictly the number of employees have been achieved mainly through natural wastage, but Sir George stresses that "we must continue to organise for reduced overhead expenditures."

As reported on April 14, group pre-tax profit for 1975 was £436,002 (£411,415) and the dividend 2.625p net per 50p share (same).

A major problem was the control of unit costs in a period of inflation and under-employment of production facilities. Financial results are still being affected by the time lag between cost increases and recovery through selling prices and this has been worsened by operation of price controls. As soon as economic selling price increases are negotiated, they are overtaken by further inflated costs.

Investments in plant and machinery for new advanced products was financed to the extent of £259,000 against a depreciation provision of £235,000. A policy of extending the programme dates for less essential replacement machinery has been adopted.

The market value of quoted investments at end 1975 amounted to £2,753,000 (£1,978,000) and included £640,000 (£85,000) holdings of dated British Funds.

Substantial shareholders in Zenith are Compagnie Industrielle et Financière with 800,748 "B" shares, Solex with 2,546,535 "A" and 448,806 "B" and Société Générale des Carburateurs Zenith with 27,840 "A" and 441,942 "B."

English Prop. conversions

English Property Corporation announces that holders of £10.3m. of 6½ per cent. Convertible Unsecured Loan Stock 1998/2003 and holders of £84,415 of 12 per cent. Convertible Unsecured Loan Stock 2000/2005 exercised rights to convert their holdings into Ordinary 50p shares on April 21.

The 6½ per cent. stock has been converted into 24,137,909 Ordinary leaving £8.8m. stock outstanding, and the 12 per cent. Stock has been converted into 96,622 shares, leaving £15.3m. outstanding.

As a result, the company will have in issue 82.68m. Ordinary shares (excluding 450,000 relating to executives' share incentive scheme which do not at present carry any voting or dividend rights), of which Eagle Star Insurance will hold 28 per cent., having exercised its right to convert £4.48m. of its holding of £5,471,000 of 6½ per cent. Stock.

W. Canning sees better trading

CHAIRMAN of W. Canning and Co., Mr. A. R. Houseman, says the company's business is quick to respond to changes in industrial activity, and present indications are that there is a slight increase in demand—if sustained this, together with the company's improvement in market share, should provide better trading conditions towards the end of 1976.

He tells members the group is well poised to take advantage of the resurgence of business as and when it occurs. A number of new processes and products have been added to the group's range enabling penetration of new markets overseas; and "particularly encouraging" is the reaction in the Middle East and Japan.

A new distribution centre in Birmingham will be constructed for the materials division and increased demand is being provided for the engineering division to meet demands for larger plants and to offer quicker delivery.

As reported, pre-tax profits for 1975 declined from £1.14m. to £0.96m. The dividend is stepped up from 2.69p to 2.87p net.

On a current cost accounting basis pre-tax profits are shown at £0.88m. (£1.08m.) and earnings per 25p share at 2p (1.1p)—historic 4.4p (5.2p). Current cost accounting principles do not show the gain to the company of having net monetary liabilities in a period of inflation and it is estimated the gain calculated under the CPP method would be £184,000 (£220,000) it is pointed out.

A geographical analysis of turnover—£20.52m. (£19.86m.)—shows: U.K. £18.94m. (£16.21m.); other EEC countries £0.74m. (£0.73m.); rest of Europe £0.86m. (£0.91m.); Middle East and Africa £0.54m. (£0.62m.); Australasia and Far East £0.69m. (£0.99m.); others £0.45m. (£0.4m.).

A statement of sources and uses of funds shows a net inflow of funds of £0.91m. (outflow £1.28m.) and overdrafts down to £0.38m. (£1.28m.).

It is proposed to change the company's name to W. Canning. The group is engaged in the manufacture and supply of electroplating and polishing plant and consumable materials for most industrial sectors.

Meeting, Birmingham, May 28 at 3 p.m.

Encouraging start by Coltness

RESULTS of Coltness Group for the first three months of the current year are encouraging, and ahead of the corresponding period in 1975, reports chairman Mr. E. S. Gibbons.

He tells members there are signs of some improvement in demand throughout manufacturing industry and that the group is in an "excellent" position to take advantage of a sustained upturn in activity.

Stocks of bricks have been kept at a low level which means that any increase in consumption can be readily translated into better utilisation of kiln capacity, with a resultant improvement in profitability.

New capacity for nail manufacturing is due to come on stream in the second half of 1976, so that the fastenings division will be well poised to deal with a higher level of business.

As known, pre-tax profit for 1975 improved from £401,196 to £506,619 and the dividend is stepped up from 1.364p to 1.478p net. Turnover amounted to £6.79m. (£5.61m.).

After tax payments of £239,681 for 1975 there remained a net cash inflow of approximately £270,000 which was wholly applied to a reduction of overdrafts.

A further reduction of short-term indebtedness is planned for 1976 assisted by a much lower tax commitment during this year.

Planned expansion of manufacturing facilities in the industrial fastenings division will be financed by a £250,000 loan from the Bank of Scotland repayable over five years. Terms have already been agreed.

Meeting, Glasgow on May 21 at noon.

● comment

Coltness expects some growth this year. First quarter profits overall are ahead, and the group is looking to a continued improvement in bricks following the operational trimming of 1975. Fasteners are expected to hold their own with a contribution coming from the Lennoxtown factory which by the 1976 final quarter should be increasing nail production by around a fifth; steel price increases should also produce some stock profits. Meanwhile, a revaluation exercise has eased some of Coltness' balance sheet strains. Tangible net worth is nearly doubled to around £1m., against net borrowings of £1.2m. The shares yield 10.6 per cent. at 22p covered 3.9 times.

Lord Aldington, chairman of Sun Alliance.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Marshall Cavendish	2.03	—	1.84	2.93	2.01

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

E. Tarry ahead in first half

FOR THE half year ended February 29, 1976, pre-tax profits of engineers and merchants, E. W. Tarry and Co. rose from £361,000 to £427,000 on higher turnover of £3.58m. against £3.06m. In the year to August 31, 1975, pre-tax profits were £846,544 from sales of £7.48m.

Estimated tax for the half year was £149,000 (£241,000).

Profits include the dividend declared by E. W. Tarry Zambia, which, after tax amounts to £123,000 (£96,000).

Only £32,000 of this dividend will, when foreign exchange is available, be permitted to be remitted from Zambia, the balance will remain on loan free of interest to the Zambian company.

During the second half it seems likely that trading in South Africa will be at somewhat lower levels and conditions in neighbouring territories indicate that profits from these areas may also be reduced, the directors report.

The company is a subsidiary of Williams, Hunt South Africa.

Continental type Board for Bonser

Holders of Bonser Engineering which manufactures mechanical handling, pneumatic and hydraulic equipment, have approved the resolutions making the company the U.K.'s first public quoted company to have a two level Board structure on Continental lines.

The governing directors will have four principal functions: determining company policy, co-ordination of that policy with the executive directors, assessment and approval of budgets, targets and plans and monitoring and disciplining executive performance.

The executive directors will have full responsibility and authority for operational line management including day to day management in accordance with the policy laid down by the governing directors.

Chairman of the governing directors will be Mr. R. L. Greensmith and the other members will be Mr. N. A. Hill and Mr. E. Trembath. Bonser's two deputy chairmen, Mr. C. F. Duerr, chief executive and Mr. Jack Stirland, worker director.

General Investors

Total group revenue of General Investors and Trustees amounted to £1,052,087 for the year to January 31, 1976, and pre-tax revenue was £658,783.

As the company merged with City and Gracechurch Investment Trust on October 31, 1975, revenue from the assets of the City and Gracechurch companies is included from November 1, 1975. Consequently, income for 1975-76 is not comparable with that of the preceding year.

For 1974-75 total revenue of the parent was £1,015,611 and pre-tax balance was £668,143.

A final dividend of 1.283p per 25p share which, with the interims of 1.05p and 0.467p (not paid to the former holders of City and Gracechurch) makes a same again total of 2.80p per share. Stated earnings per share are 2.93p (3.20p).

	1975-76 Group £	1974-75 Parent £
Total revenue*	1,052,087	1,015,611
Expenses and int.	393,304	347,468
Net rev. before tax	658,783	668,143
Taxation	250,917	244,594
Net revenue	407,866	423,549
Preference div.	13,721	13,721
Available Ord.	394,145	409,828
Ordinary div.	391,626	359,622
To revenue res	2,518	51,206
Quoted investments	20,120,215	11,748,596
Unquoted	1,052,327	447,796
Total market value	21,172,542	12,196,392
Freehold property	973,328	403,956

* Franked investment income including tax credit £581,043 (£726,345).

Group net asset values, with full investment currency premium, are shown at 122½p at January 31, 1976 (97p parent at July 31, 1975).

Silhouette

On a turnover of £9.57m., against £9.17m., profit of Silhouette (London) decreased from £278,270 to £215,699 in 1975 pared with 133,071. Of the pre-tax profit £2,126, against a loss of £66,407, was earned in the second half.

A final dividend of 2.275p per 20p share makes a net total of 2.925p, as before.

Orders this year are showing a more healthy trend and the first quarter of 1976 looks somewhat more hopeful in turnover and profit terms, says the chairman, Mr. T. Blumenau.

The company makes foundation garments, swimwear, etc.

Downturn at Hartle Machinery

AFTER a first half increase from £163,500 to £168,000, Hartle Machinery International finished 1975 with pre-tax profits of £269,900 compared with £406,900 previously. Turnover increased slightly from £8m. to £8.4m.

The chairman, Mr. D. Hartle, says there has been an improvement in the current order book and an increase in the number of inquiries. Present indications are such as to justify "cautious optimism" for the future.

Stated earnings per 25p share for 1975 dropped from 7.15p to 6.98p. An unchanged net final dividend of 1.25p holds the total at 2.15p.

	Year 1975 £000	1974 £000
Turnover	8,401.1	8,002.3
Trading profit	536.5	664.9
Interest	256.6	257.0
Profit before tax	269.9	406.9
Tax	91.6	224.2
Net profit	178.3	182.7
Extraord. debits	38.5	27.4
Attributable	138.8	155.3
Dividends	84.5	81.5

Antony Gibbs expanding in Middle East

THE CURRENT year has begun well for Antony Gibbs Holdings both in the U.K. and Australia, but the continued weakness of sterling and the uncertain economic and political situation makes prophecy especially risky, says chairman Sir Philip de Zulueta.

Referring to the enlarged insurance broking offshoot following the acquisition of Lionel Sage, the chairman believes that there will be much increased contribution to profits from this source this year and that benefit will be increasingly apparent in future years.

Members are told that relations with Hong Kong and Shanghai Banking Corporation (which has a stake of 40 per cent. in Antony Gibbs) continue to develop well. In the Middle East, Gibbs is expanding its activities and collaborating in the merchant banking field with Wardley Middle East a HSBC offshoot, in which Gibbs and British Bank of the Middle East each hold a 20 per cent. equity stake.

The chairman believes that this special effort to develop business in this area will bring substantial profits to the group in due course.

As reported there was a group net profit of £448,000 in 1975 compared with a loss of £468,500 in the previous year.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims: Bryant Holdings, David Charles.

Finals: British Investment Trust, Camrex, Electrical and Industrial Securities, Hambros, John Laing, Macfarlane Group (Clansman), Municipal Properties, Simon Engineering, Smith St. Aubyn, Tern Consulate.

FUTURE DATES

Interims—	
Anglo Scottish Investment Trust	Apr. 29
Border and Southern Stockholders Trust	Apr. 27
Moss Engineering	May 4
Samuel Properties	Apr. 28
Finals—	
Anchor Chemical	Apr. 27
Belgrave (Blackheath)	Apr. 27
Burrell	Apr. 29
Cullens Stores	Apr. 28
Estate Duties Investment Trust	Apr. 27
Gerrard and National Discount	Apr. 29
Hammerson Property & Inv. Tst.	Apr. 30
Harrison (T. C.)	May 4
Lake View Investment Trust	Apr. 27
Laporte Industries	May 4
Lyon and Lyon	Apr. 26
Tozer Kemsley and Millbourn	Apr. 27

London and European

In line with the forecast, London and European Group has materially reduced its loss for 1975, compared with that shown at the halfway mark.

There is a net deficit of £40,000, against a profit in 1974 of £185,000. Group income came to £1.98m. (£2.83m). The loss (profit) was struck after provisions in the banking division £707,000 (£595,000), against the property lending portfolio, tax credit £220,000 (charge £63,000), and discount on a mortgage redemption £63,000 (nil).

Loss per 25p share comes out at 1.2p (earnings 2p). The final dividend is 0.87512p for a total of 1.67512p (1.5467p).

Crossland up £65,000

Makers of electric lighting equipment and pressings, etc. R. and A. G. Crossland reports a profit rise of nearly £65,000 to £452,522 for 1975. At halfway profits were up from £165,920 to £183,881.

Earnings are shown at 2.65p against 2.27 per 5p share and the dividend is stepped up from 1.0479p to 1.1183p, with a final of 0.8033p.

Turnover came to £3.39m. (£3.06m.). After tax £240,888 (£206,300), the net profit was £30,000 ahead at £211,634.

Thames House

Pre-tax profit of Thames House Estate expanded from £577,217 to £790,882 in 1975.

A second interim dividend of 2.5p raises the total from 17.5p to 25p per £1 share. The ultimate holding company is Imperial Chemical Industries.

	1975 £	1974 £
Revenue*	838,465	616,573
Expenditure	47,683	39,356
Pre-tax profit	790,882	577,217
Taxation	370,497	338,938
Retained	170,385	65,279

* Including loan interest £54,229 (£82,058).

Sun Alliance and London progress

LAST YEAR'S results of Sun Alliance and London Insurance showed a welcome improvement in spite of difficult conditions, comments chairman Lord Aldington in his annual statement.

But he considers the small underwriting surplus from the group's worldwide operations "quite inadequate" to maintain and reinforce the group's reserves at levels which would enable an expansion in capacity and provide the security for its policy-holders.

Lord Aldington regrets that, because of the uneconomic state of many of the markets in which the group operates, it has had to refuse substantial volumes of business—to have taken it on at the rates being charged would have involved the group in "significant" underwriting losses.

Keen competition is essential, the chairman says, if insurance is to improve its methods, to seek economies of operation, and to innovate, and the group welcomes competition based on sound insurance principles.

But he doubts whether the world's insurers sufficiently recognise the vital need to keep reserves in line with rapidly increasing commitments.

Lord Aldington reports a satisfactory underwriting surplus for the home fire account, even though the level of fire wastage continued to be serious in the country. The home accident account, however, again showed a loss, the principle reason being a sharp deterioration in professional indemnity experince.

The home motor account recorded a larger loss than the previous year, mainly because of inadequate rates for fleet business.

The life branch showed a marked increase in new business in the U.K., assisted by the upsurge in mortgage lending by building societies. The valuation of the life fund disclosed a surplus of £27.2m. for the triennium compared with £22.5m. three years ago.

Profit before tax for the year, as already reported, amounted to £35.6m., a record. But, says Lord Aldington, in real terms profits had failed to keep pace with inflation over the past five years and shareholders' dividends had steadily decreased.

During the year the General Funds had a cash flow of some £61m. to invest, and also £37.5m. from the proceeds of the rights issue. A total of £53.8m. was invested in fixed interest stocks, including £34.7m. in short-dated gilts, while £29.7m. was invested in equities and property absorbed another £13.9m. Investment income increased by 18.7 per cent. to £34.4m., including income for about six months, of some £1.5m., on proceeds of the rights.

Life Funds increased by almost £26m. and, in addition, a substantial part of liquid funds held at the end of the previous year was invested. In the main fund almost £22m. went into long-dated Government stocks, over £7m. into U.K. equities and a further £7m. in property investments and developments. Overall, investment income showed a "useful" increase of 26.7 p… £25m. and the gross … main fund improved … cent. to 9.08 per cen…

Chairman's statme…

Sunbeam Wolsey l… £0.85m.

Cork based hosie… wear manufacturer Wolsey, incurred an i… of £854,985 in 1975, c… £206,836, after £603,0… profit of £229,000, … half.

The loss per 25p … year is shown at 2.13 … at 1.92p (2.46p) … ordinary items.

There is no prefer… for the year. For 1… holders received ar… 0.8333p but no final.

Trading conditio… were the "worst eve… production and sale… dustrial disputes and … of several activities … not compete with i… chandise. Howev… action has been taken … ties, the directors sta…

Despite the subst… holders' funds have … decreased and the … has improved leaving … for recovery, they ad…

Overall, the group … …ably for the fir… 1976.

FT Share Information Service

The following s… been added to the … mation Service:—

Hyman (I. and J.) (Section: Indust…

Pending dividends timetable

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
Allied Irish Banks	May 24	Final 15¼%
*Associated Engineering	May 27	Int. 6.1%
*Australia and NZ Banking	Apr. 29	Int. 7.2%
*Averys	May 4	Final 17.7%
Baker Perkins	May 8	Final 5.4%
*Bk. of Ireland	May 6	Final 16% §
Bass Charrington	May 28	Int. 8.3%
Beechams	May 21	Final 16.4%
Berry Wiggins	May 18	Final 7.5%
*Boots	May 20	Final 17.6% §
*British Home Stores	May 7	Final 21.7%
Brockhse. (J.)	May 22	Int. 7.7%
*Bunzl Pulp	May 11	Final 9.5%
Burton Group	Apr. 22	Int. 4.5%
Cater Ryder	May 15	Final 17%
Charter Cons.	June 4	Final 24.4%
Charterhouse Group	May 30	Int. 5.4%
City of London Brewery	Apr. 3	3rd Int. 3.8%
*Clarke Chapman	Apr. 28	Final 16.4%
Coalite and Chemical	May 30	Final 4.9%
Coats Patons	May 28	Final due
Costain (R.)	May 12	Final 13.2%
Courtaulds	May 29	Final 23.1%
*Debenhams	May 18	Final 16.1%
De La Rue	June 3	Final 26.2%
Dunlop	May 15	Final 5%
*Duport	May 18	Final 11.6%
European Ferries	May 2	Final 6.9%
Ever Ready	May 20	Final 14.9%
Exchange Telegraph	May 29	Final 16.4%
Finlay (Jas.)	June 2	2nd int. 6%
Fosoco Minsep	Apr. 28	Final 12.5%
Furness Withy	*May 12*	*Final 3.6%*
Gill and Duffus	Apr. 28	Final 9.4%
Hardy and Co. (Furnishers)	May 20	Final 10.2%
Hays Wharf	May 22	Int. 1.9%
Head Wrightson	May 14	Final 4.9%
*Hepworth (J.)	Apr. 30	Int. 10%
Hickson and Welch	June 4	Int. 9.2%
*Hoveringham	Apr. 29	Final 2%
International Combustion	May 21	Final 9.2%
International Paint	May 29	Final 8.3%
K Shoes	May 29	Int. 4.7%
*Laing (John)	Apr. 26	Final 6.4% §
*Laporte	May 4	Final 9%
*Lead Industs.	Apr. 27	Final 9.5%
Lloyds and Scottish	May 15	Int. 9.7%
*London Tin	Apr. 26	2nd int. 43%
Mallinson (William)	May 27	Final 6.3%
Manbre and Garton	Apr. 25	Int. 4.7%
*Marks and Spencer	Apr. 27	Final 26% §
Marley	May 18	Int. 9.2%
McCorquodale	*June 3*	*Int. 6.3%*
*McKechnie Bros.	Apr. 29	Int. 6.1%
Metal Box	June 2	Final 9%
Mettoy	Apr. 30	Final 5.2% §
*Natl. and Comcl. Banking	May 6	Int. 6.5%
Northern Foods	May 27	Int. 6.1%
Ozalid	May 20	Final 19.3%
P. and O.	June 4	Int. 3.3%
Pearson (S.)	May 1	Final 22.7%
*Pearson Longman	Apr. 28	Final 18.9%
Plantation Holdings	May 21	Final 13.2%
Portals	May 12	Final 21.6%
Press (Wm.)	May 29	Final 25.5%
Rand Selection	June 6	Int. 64%
Rank Hovis	May 13	Int. 6.7%
*Ransome Hoffmann	May 11	Int. 7.3%
Readicut Intnl.	May 14	Final 22.5%
Reed Intnl.	May 23	Final 7.9%
Sainsbury (J.)	May 7	Final 18.3%
Samuel (H.)	May 19	2nd int. 39.2%
Sears Hldgs.	Apr. 22	Final 11.7%
*Serck	May 15	Int. 4.3%
Stadex Intnl.	May 23	Final 6.8%
Staveley	May 13	Int. 4.6%
Swan Hunter	Apr. 28	Final 4.1%
Tarmac	Apr. 29	Final 13.4%
*Telephone Rentals	Apr. 28	Final 19.2%
*Tozer Kemsley	Apr. 27	Final 11.4%
Trafalgar House	May 22	Int. 10.5%
UDS	May 15	Final 16.5%
Wedgwood	May 22	Final 12.9%
Whessoe	May 1	Int. due
Whitbread Invest.	May 15	Final 10.4%

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Local Authority Investments

LOCAL AUTHORITY loan rates rose sharply at the end of last week, in anticipation of an increase in Bank of England Minimum Lending Rate.

The gilt edged market was very weak, as sterling declined and interest rates moved up. The Financial Times Government Securities Index finished at 60.83 compared with 63.02 on the previous Thursday.

One year local authority bonds were placed during the week at £99 15-16ths per cent., with a coupon of 10¼ per cent.

	* Rate (%) April 23, 1976
2 days' notice (deposit receipt)	9 — 9⅜
7 days' notice (deposit receipt)	9¼ — 9½
7 days' notice after one month (deposit receipt)	9⅝ — 9⅞
7 days' notice after three months (deposit receipt)	10 — 10¼
7 days' notice after six months (deposit receipt)	10¼ — 10⅝
Mortgage at one month's mutual notice after 11 months	11¼ — 11½
Mortgage at one month's lender notice after 11 months nominal term 2-5 years	n.a.
2 years' mortgage	12¼ — 12½†
3 years' mortgage	13 — 13¼†
4 years' mortgage	13½†
5 years' mortgage	13½ — 13¾†
6-10 years' mortgage	n.a.
11-30 years' mortgage	n.a.

* Rates are for sums not less than £20,000 and are subject to local variation and fluctuation. † Nominal. ‡ Shorter periods may attract higher rates than longer. n.a. Not available.

Public Works Loan Board rates

Effective from April 24, 1976

	Quota loans Repaid By instalments	Quota loans Repaid At maturity	Non-quota loans* Repaid By instalments	Non-quota loans* Repaid At maturity
Up to 5	10¾	11	12	12¾
Over 5, up to 10	11	12¾	12½	13½
Over 10, up to 15	11½	13¼	13¼	14¼
Over 15, up to 25	13	13½	13½	14½
Over 25	13½	14	14½	14½

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1976 High	1976 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

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INTERNATIONAL COMPANY NEWS

MICHELIN

Growth without disclosure

BY CHRISTOPHER DUNN

MICHELIN'S 1974 net profits could be Frs.263m.—as stated—or Frs.398.5m., or even Frs.540.5m. It all depends on how vague entries to the profit and loss account are to be interpreted.

This is the conclusion reached by stockbrokers, Vickers da Costa in an analysis of the first-ever consolidated balance-sheet and profits statement to be published by the French tyre manufacturer. But the broker then argues that this is only the latest move in a series of revelations. The symbolic importance of the disclosures outweighs the limited relevance of 16-month-old profit figures.

Michelin is listed on the Paris Bourse, with a blue-chip rating. Earlier this month, the company raised Frs.500m. on the French domestic bond market. In compliance with the country's disclosure requirements, the group published its 1974 consolidated profits and balance sheet, the first time detailed figures have been produced by Michelin for scrutiny.

Net sales were quoted at Frs.10.7bn., and gross trading profits at Frs.1.8bn., after financial charges of Frs.309m. After exceptional credits (Frs.163m.), taxation, provisions on the Citroen holding (Frs.271m.) depreciation, and further provisions (Frs.284m.), net profits emerge at Frs.263m. or Frs.67 a share.

This figure forms the broker's point for departure. In France, the number of provisions which can be made is almost unlimited, *some of which are tax allowable.* The Citroen provision, for example, should be tax allowable so half of it can be added back to net profits. This gives earnings of Frs.103 a share. Other provisions might qualify for the same treatment, and if net profits are adjusted for 50 per cent. of this tranche as well, then earnings per share rise to Frs.144.

Even without adjusting earnings for Michelin's exceptional items, the brokers have arrived at three earnings estimates. To these, apparently, can be added at least 17 estimates culled from other analysts, ranging between Frs.53-Frs.160. It is hard not to conclude that Michelin has merely aggravated the mystery surrounding its name and prospects. The company has certainly given no guarantee that it will continue to publish its profits.

Vickers argues the case that further figures are on the way. The recent series of disclosures, according to the brokers, is related to cash-raising exercises, and these, in turn, are linked to Michelin's enormous capital spending programme. The shortfall between cash flow and capital expenditure is normally about a quarter and this has been made up recently by regular calls on outside capital. The capital expenditure programme is still continuing.

Data available does support this argument, albeit fairly loosely. Consolidated turnover figures for 1969-73, for example, were released in a prospectus for the Peugeot-Citroen deal, when a further tranche of the group's 5½ per cent. convertible was issued in exchange for shares. Whether this constitutes raising fresh capital, however, is a moot point.

Since 1969, observers reckon that Michelin has spent about Frs.9bn. in doubling its productive capacity, and gross cash flow during that period equalled a (guesstimated) average of 76 per cent. of the capital expenditure. Between November 1969 and December 1975, Michelin raised fresh capital nine times drawing down a total of Frs.2bn. The 1974 balance-sheet shows a relatively strained financial position, with some 60 per cent. of capital employed financed by borrowings. Investment in the group's new market, the U.S. is now accelerating, and fresh calls for capital, bearing in mind the stated level of borrowings, could involve additional regular disclosure.

In any case, the disclosure argument sounds practically sectarian measured against Michelin's *achievements* in world markets during the past decade. With or without disclosure, gearing has been good for Bibendum's masters.

According to a study of the group prepared by Societe Generale, the French banking house, Michelin has risen from seventh to second place among world tyre producers; it now controls an estimated 15 per cent. of the world market, and a third of the European market. Annual sales growth has been substantialyl higher than the sector average, and margins, according to the study, are the highest in the industry.

In-house strengths have helped. A technological lead enabled Michelin to market a high-quality radial-ply tyre early in the tyre's life, and even now, according to the SG analysts, the company has an exceptional mastery of rubber and fine steel wire production. A specialist and completely integrated production capacity (for strategic products), concentrating on the radial tyre, coupled with an intensive investment programme, meant Michelin could exploit its technological lead: the captive market provided by Citroen also helped, and the integrated nature of the production process meant that manufacturing secrets have been preserved.

The gradual conversion of world markets to radial-ply tyres has been the other propellant. Dominance in France emerged rapidly and then spread more slowly throughout Europe. But the conversion process in the U.S., according to S.G. has hardly begun, largely because of the cost of equipping factories for radial-ply production.

In fact, the salient feature of Michelin's industrial *tour de force* is not that further disclosures may be on the way: it is that Michelin has gone so far, for so long, and said nothing.

INDUSTRIAL PRODUCTION 1970=100

					% Change on year earlier
	Mar. '76	Feb. '76	Jan. '76	Mar. '75	
U.S.	120.9	120.2	119.4	110.1	+9.8
	Feb. '76	Jan. '76	Dec. '75	Feb. '75	
U.K.	101.4	100.5	98.8	105.5	−4.2
W. GERMANY	110.1	102.0	108.1	103.9	+6.0
HOLLAND	126.0	123.0	127.0	116.0	+8.6
ITALY	113.0	108.9	104.8	109.8	+2.9
FRANCE	119.0	119.0	117.0	115.0	+3.5
JAPAN	116.9	114.9	112.7	104.4	+11.9
	Jan. '76	Dec. '75	Nov. '75	Jan. '75	
BELGIUM	104.9	103.0	106.3	105.5	−0.6

Money and Exchanges

Bank of England Minimum *Lending Rate 10½ per cent.* (since April 23, 1976)

Short-term fixed period interest rates increased sharply from late on Thursday, in response to indications from the authorities that a rise in Bank of England Minimum Lending Rate was required to give assistance to sterling. At the Treasury bill tender the average rate of discount rose by 1.5548 per cent. to 9.9872 per cent. and MLR was increased by 1½ per cent. to 10½ per cent.

Day-to-day credit was generally in very short supply in the *London money market.* The authorities gave an exceptionally large amount of help on Tuesday by buying Treasury bills and Corporation bills, and also purchased a very large amount of Treasury bills and Corporation bills on Wednesday. The shortage on Thursday was relieved by exceptionally large lending for seven days to nine or ten discount houses at Minimum Lending Rate *of 9 per cent.,* indicating the authorities' wish to increase MLR at Friday's tender. A small shortage on Friday was relieved by lending, over the week-end, to one or two houses at MLR of 9 per cent.

Sterling was generally the centre of attraction in the foreign exchange market. On Tuesday the pound fell over 1 cent against the U.S. dollar in early dealings, in thin trading, but recovered slightly at the close to $1.8480-1.8490, a loss of 40 points on the day. Switching out of sterling into German marks and Swiss *francs by OPEC countries* was considered the likely reason for the selling from European centres.

On Wednesday the market reacted to the Scottish TUC's rejection of a 3 per cent. ceiling on wage rises, and the pound lost a further 70 points to $1.8410-1.8420.

A further sharp decline on Thursday pushed the pound down to $1.8065-$1.8075 in the morning, but the indication that a rise in MLR was likely helped sterling to recover to $1.8275-$1.8285.

The Bank of England's calculation of the pound's trade-weighted depreciation since the Washington *Currency Agreement* of December 1971, widened steadily, to 36.7 per cent. on Tuesday, and to 36.9 per cent. on Wednesday, before touching an all time low of 37.9 per cent. at noon on Thursday.

On Friday sterling continued to fall, despite the increase in MLR and a statement from Mr. Len Murray that the TUC would reach an agrement with the Government over pay limits. It finished at a record closing low of $1.8225-$1.8235, a loss of 3 cents since before the Easter holiday. Its trade-weighted depreciation finished at 37.5 per cent., the lowest ever closing level, and compared with 36.3 per cent. before the holiday.

Gold remained very quiet, finishing at $127-$128, a fall of $¾ on the week.

April 23 1976	Sterling Certificates of deposits	Interbank	Local Authority deposit*	Local Auth. negotiable bonds	Finance House deposit	Company deposits	Discount market deposits	Treasury bills ϕ	Bank Bills ϕ	Fine trade Bills ϕ
Overnight	—	8-9⅝	—	—	—	9	6 8¾	—	—	—
2 days notice	—	—	9-9⅝	—	—	—	—	—	—	—
7 days or 7 days notice	—	9¼ 9⅝	9¼-9½	—	—	—	7-9	—	—	—
One month	10 9¾	9½ 9⅞	9⅜-9⅝	11-10¼	9½-10¼	—	9	9⅛	9⅞-9⅛	10¼-10⅛
Two months	10 9⅞	9¾ 10⅛	—	11-10¼	10 10⅛	—	9¼	10-9⅛	10-9⅛	10⅛-10⅜
Three months	10⅛ 9⅞	9⅞-10⅛	10-10¼	11-10¼	10¼ 10¼	—	9½	10	10⅛-10	10⅛-10⅛
Six months	10⅛ 10⅛	10⅛ 10⅝	10¼-10⅜	11-10½	10½ 11	—	—	—	10⅝-10⅝	10¾
Nine months	10¾-10½	10⅝ 11	—	11½-11	11¼-11	—	—	—	—	—
One year	11-10⅞	10⅞-11¼	11¼-11½	11½-11	11½-12	—	—	—	—	—
Two years	—	—	12¼-12½	—	—	—	—	—	—	—

* Local authority and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rate nominally three years 13-13¼ per cent.; four years 13½ per cent.; five years 13½-13¾ per cent. ϕ Bank bill rates in table are buying rates for prime paper; buying rates for four-month bank bills 10¼-10⅜ per cent., and four-month trade bills 10⅞ per cent. Approximate selling rate for one-month Treasury bills 9 11/16 per cent.; two months 9 13/16-9⅞ per cent.; and three months 9⅞ per cent. Approximate selling rate for one-month bank bills 9 11/16 per cent.; two-months 9 13/16 per cent.; and three-month 9 15/16-9⅞ per cent.; for one-month trade bills 10⅛-10⅜ per cent.; two-month 10⅜-10½ per cent.; and three-month 10⅜-10½ per cent.

Finance House Base Rates (published by the Finance Houses Association): 9 per cent. from April 1, 1976. **Clearing Bank Deposit Rate** for small sums at seven days' notice 5½ per cent. **Clearing Bank Base Rate** for lending 9½ per cent. **Treasury Bill:** Average tender rate of discount 9.9872 per cent.

EXCHANGE CROSS-RATES

April 23	Frankfurt	New York	Paris	Brussels	London	A'sterdam	Zurich
Frankfurt	—	2.6390-550	54.41-51	6.51-57	4.63-64	94.43-48	100.51-61
New York	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

EURO-CURRENCY INTEREST RATES*

April 22 1976	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	W. German mark	Swiss franc
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

GOLD MARKET

	April 23	April 22
Gold Bullion (a fine ounce) Close	$127-128	$127-128
[illegible]	[illegible]	[illegible]

SPECIAL DRAWING RIGHT RATES

	April 23	April 22
[illegible]	[illegible]	[illegible]

OTHER MARKETS

[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN EXCHANGES

[illegible]	[illegible]	[illegible]	[illegible]

FORWARD RATES

	One month	Three months
[illegible]	[illegible]	[illegible]

MINING NOTEBOOK

Now Australia starts to produce antimony

BY LODESTAR

LAST WEEK the bullish prospects *for the* world's major antimony producer, South Africa's Consolidated Murchison, were once again being stressed here. Since then the shares have gone up from 770p to 865p. Pushing the price along was the chairman's cautious optimism at the annual meeting when the increasing demand for the oxides of antimony was underlined and particularly the fact that they had become a "front runner" in the race to conform with the growing requirements of fire-proofing legislation especially in the United States.

Mr. Wilton also confirmed, albeit indirectly, the theory put forward here that Murchison should do better in the current and remaining quarters of the year, particularly as there could be a further price rise for antimony before long. He cautiously forecast that the dividend should be increased from last year's modest 80 cents but gave no actual estimate. As previously reported here, market predictions range up to 200 cents (126p). So the June interim is awaited with a good deal of interest although it is realised that the bulk of the anticipated rise is more likely to come along in December.

Metramar

Murchison is not only trying to extend the life prospects of its South African deposit but is also seeking fresh finds abroad although without success so far. Western Europe is the prime target. Which brings me round to an Australian situation about which I am often queried, particularly by tired holders of Metramar the shares of which linger around 16p.

The reason why they are so apathetic is twofold. The first is that there has been the usual unexciting period between anticipation and realisation in the bringing to production of the Blue Spec mine in the Pilbara district of Western Australia. The second is that Metramar's inability to raise the necessary funds has carved down its stake therein.

And what has this got to do with Murchison? The answer is that Blue Spec started off as an antimony-gold proposition. Then the emphasis was reversed when gold boomed. Now antimony may *again be to the fore in a project* which according to messages from Perth is on the brink of production.

Even so, it is the first gold pour *this month which has been attracting* the headlines out there and the comment in the National Miner that this "brings to an end an anxious period for the partners and shareholders." Metramar holders must hope that this sentiment is right even though the company's interest has been carved down to 20 per cent. leaving South Africa's Anglo American Corporation with 70 per cent. and Australian Consolidated Minerals with 10 per cent.

The last-named only came into the play in February. It presumably did so with the approval of its major shareholder the U.S. giant, Amax. So Blue Spec certainly has a lot going for it in the way of big names. This does not, of course, underwrite its prosperity so far as Metramar shareholders are concerned but it at least shows that the project will be well managed and that every effort will be made to ward off those scourges of the Pilbara, soaring mining costs and labour unrest.

The National Miner comments that Blue Spec is named after Western Australia's only winner of the country's classic race, the Melbourne Cup. One thing may be taken for granted. However much larger antimony may loom in it fortunes management will undoubtedly want to maintain Blue Spec's primary classification as a gold mine. It will then be tax free.

Cornish hopes

From time to time, ever since I stood at the embryo shaft head, I have been writing here about *the progress to production of* Cornwall's boldest tin-mining venture that at Mount Wellington across the Carnon Valley from Consolidated Gold Fields' Wheal Jane mine which started *production in 1971 and which has hardly* been a roaring success although this has been at least partly due to factors outside management's control such as a poor tin price and inflating labour costs.

A possibly hopeful sign is that at the very moment when Mt. Wellington is coming to production as announced in a colourfully illustrated annual report Wheal Jane is showing its faith in the future after a painful loss-making period by instituting a £4m. capital expenditure programme aimed at extending its life. Part of the money will come from the Government.

The Treasury has also played a financial part in the £5.3m. Mt. Wellington project which has otherwise been backed by American, Swiss and Canadian interests *in the shape of the J. H. Hirshhorn* organisation in New York, the Bermuda-based Excomm and Prado Explorations in Canada. They could be lucky in that a mine which aims to become the largest tin producer in Europe could be coming on stream at the right time so far as the metal price is concerned and with every opportunity to take the fullest advantage thereof without the handicap of the International Tin Council's export controls. It is claimed that it will bring Cornwall's total tin output up to a level that will provide more than 20 per cent. of the U.K.'s annual needs and will itself be contributing 6,000 tons of concentrates a year.

And the operating company, Cornwall Tin and Mining, in which Excomm has 51 per cent. and *America's Cornwall Tin and* Mining Corporation 49 per cent., is also probing tin-tungsten properties at Cligga and St. Agnes. It is rightly proud of the fact that it started off at a time when "confidence in Cornish mining was at its lowest ebb." All cousin jacks will wish the venture the best of luck. Canada's Prado has an indirect interest of 26 per cent. Its shares stand in Toronto at around $2, up from $1.45 earlier this year.

Tin prices

Meanwhile, the market in tin itself remains an intriguing one. Helped by the weakness of sterling the London price has come up from £3,072 a tonne to £3,822 since the beginning of the year. This is a rise of 24 per cent., compared with a 1975 average of £3,091 and is good news for all the Cornish tin producers including Geevor and Saint Piran's South Crofty.

In Penang the price has come up over the same period from $M959 a picul to $M1,085, a gain of 13 per cent. and comparing with a 1975 average of $M964. There is little doubt that it would have gone higher still had it not been knocking recently on the "ceiling" set by the International Tin Agreement. This is $M1,100. Above that level the buffer stock manager has to sell all his stock. As it is he has been selling to keep the price below the "ceiling."

This looks a rather odd exercise at a time when the ITA export quotas for producers are still in force. So the International Tin Council has called a special meeting for May 4. Presumably it will consider either lifting export controls or at least relaxing them further plus, maybe, a raising of the price above which the buffer stock manager must sell. Either or both should be bullish for the market in tin shares.

Since I last wrote favourably about them on March 15 our tin share index has risen 8.4 per cent. to 105.5 but is still below its 1975 peak of 114.49 reached last June. The London-based companies operating in the Far East will have the benefit of sterling depreciation when they repatriate their earnings but, of course, they are unfortunately subject to U.K. dividend controls. Ayer Hitam, Southern Malayan, Malayan, Gopeng and Tronoh are still popular choices plus Berjuntai for non-premium payers.

Pancontinental

I have had a letter from Mr. Tony Grey, chairman of Pancontinental. In current contentious circumstances about overseas ownership of Australia's big uranium finds he is anxious to point out that the company's shares are now around 80 per cent. Australian held.

Allowing for the fact that 35 per cent. of the Jabiluka deposit is owned by Getty Oil, an entirely non-Australian company, this means that the Australian stake in it is approximately 52 per cent. This would conform with the Government's target of 50 per cent. ownership of the country's other mineral occurrences but is, of course, below the 75 per cent. aimed at for uranium. Even so, at the moment Pancontinental at 925p, less than half their 1976 *peak to date, look more likely to* go up than down.

INSURANCE BASE RATES

† Atlantic Assurance	10¼%
Cannon Assurance	8¼%

† Address shown under Insurance and Property Bond table.

INTERNATIONAL COMPANY NEWS + EURO MARKETS

EUROBONDS

Société Générale heads a light week

BY MARY CAMPBELL

THE WEEK since the Easter break has seen far fewer new issues than the market had expected. The biggest issue to be announced last week was a $75m. partially floating-rate, partially fixed-rate issue for the French Société Générale. In the Canadian dollar sector, Commercial Credit Corporation of Canada is to raise Can$25m. and Calgary Power of Alberta, Canada, Can$20m.

Société Générale's issue offers a coupon of 7½ per cent. for the first years of its life, followed by a floating rate a quarter of a point above inter-bank rates for the subsequent four years. Morgan Stanley is lead manager.

Calgary Power offers an indicated 9¾ per cent. for six years via Merrill Lynch, and Commercial Credit Corporation an indicated 9¼ for five years via Crédit Suisse White Weld. The latter issue is guaranteed by Commercial Credit Company of the U.S. which is single-A rated by both Moody's and Standard and Poor's, and which is wholly owned by Control Data Corporation.

Eyes were turned towards the U.S. market last week where the triple-A-rated European Coal and Steel Community is trying out the market's reaction to long-term issues by foreign institutions. It has come with a $50m. 20-year issue via Kuhn Loeb. The issue is part of a $125m. financing which also includes $75m. of eight-year notes.

Also registered with the Securities and Exchange Commission and being sold both in the U.S. and Europe is a $50m. 10-year issue for the Republic of Brazil via Merrill Lynch. Bondholders have the option to redeem from 1981.

The World Bank is raising DM300m. on the German capital market via Deutsche Bank. The issue consists of a DM50m. placement with DM250m. being sold on the open market. The seven-year issue is expected to offer a 7½ per cent. coupon. Announced on Friday was a DM100m. issue for five years for Norges Kommunalbank under Norwegian Government guarantee. The coupon is expected to be 7 per cent., in line with the Norwegian Government's recent DM100m. five-year issue.

Among earlier issues, Union Carbide's $C30m. 9¼ per cent. six-year notes were priced at par and the $30m. 9¾ per cent. 10-year bonds at 99. The $75m. issue for Caisse Nationale des Autoroutes was priced at par.

Bols issues new shares

BY MICHAEL VAN OS AMSTERDAM, April 25.

BOLS the distillery for which a conditional bid has been made by Heineken has announced a move—the issue of new shares—which is designed to thwart the takeover attempt which it has strongly rejected. The Dutch merger battle has been given a new and unexpected twist however with the statement by Bols that it had opened talks with an undisclosed foreign distiller already long before the Heineken approach.

Bols added it was so far backing a "full co-operation" with the company whose activities "would be integrated with those of the Bols subsidiary in the country concerned." For this, Bols shares or certificates of shares would be submitted to the share holders of the company concerned.

The Dutch company's statement said that it was with this preferable co-operation in mind that it had decided to issue Fls.4½m. worth of shares—at Fls.65 per share of Fls.10 nominal or well below the current Bols price and the Heineken bid offer—in a new foundation set up here.

Rate rise for GEICO

BY JAY PALMER NEW YORK, April 25.

NEW YORK STATE insurance officials have agreed to let the financially troubled government employees insurance company (GEICO) increase its car insurance rates on all new and renewed policies by an unprecedented 47 per cent. as from early next month.

The huge rate rise, which will completely eliminate GEICO's existing competitive edge over other car insurers, is seen by the State Department of Insurance as the only alternative to involuntary insolvency or an enforced merger.

GEICO, although not one of the largest car insurance companies in the U.S. as a whole, is the second biggest private automobile insurer in the State.

The concern's severe financial problems first became really apparent earlier this year when the company reported a 1975 operating loss of $124.2m. compared with its small, but still respectable, profit in 1974 of $26.1m. Slightly forewarned, the State immediately launched a still unfinished investigation.

"These planned rate increases," Mr. Thomas Harnett, the State's insurance superintendent said, "allow for a correction of (GEICO'S) management's prior misjudgments of proper rate levels." Until its financial troubles surfaced, the company had established a reputation for extremely competitive rate pricing.

Indices

NEW YORK—DOW JONES

	April 23	April 22	April 21	April 20	April 19	April 15	1976 High	1976 Low	Since compilat'n High	Since compilat'n Low
Industrials	1000.71	1007.71	1011.02	1005.46	988.11	988.46	1,011.02 (21/4)	858.71 (2/1)	1051.70 (11/1/73)	41.22 (8/7/32)
Home Bonds	75.52	75.60	75.60	75.51	75.59	75.53	75.60 (22/4)	69.71 (2/1)	—	—
Transport	212.14	215.46	212.89	211.51	206.51	204.23	215.46 (22/4)	175.69 (2/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	87.87	87.92	87.77	87.84	87.07	87.17	91.90 (4/2)	84.84 (2/1)	163.32 (20/4/65)	10.58 (28/4/42)
Trading vol. 000's	27,860	29,220	26,890	25,560	16,500	15,100	—	—	—	—

	April 19	April 9	April 2	Year ago (approx.)
Ind. div. yield %	3.76	3.81	3.72	4.88

STANDARD AND POORS

	April 23	April 22	April 21	April 20	April 19	April 15	1976 High	1976 Low	Since compilat'n High	Since compilat'n Low
*Industrials	115.05	115.88	116.30	115.78	114.15	113.21	118.57 (24/3)	101.64 (2/1)	154.64 (11/1/73)	3.52 (30/6/32)
†Composite	102.28	102.98	103.32	102.67	101.44	100.67	105.51 (5/4)	99.90 (2/1)	120.24 (11/1/73)	4.40 (1/6/32)

	April 22	April 19	April 16	Year ago (approx.)
Ind. div. yield %	3.28	3.76	3.37	3.91
Ind. P/E Ratio	14.00	—	13.58	9.74
Long Govt. Bond yield	5.49	—	5.40	6.22

N.Y. S.E. ALL COMMON.

April 23	April 22	April 21	April 20	1976 High	1976 Low
54.46	54.84	55.00	54.76	55.20 (5/4/76)	57.06 (2/1/75)

Rises and Falls April 23

Issues Traded—1,873 Up—494

Down—979 Same—403

New Highs—37 New Lows—17

	April 23	April 22	April 21	April 20	1976 High		1976 Low	
MONTREAL Industrial	203.41	204.06	203.54	202.28	205.67	(23/2)	176.82	(2/1)
MONTREAL Combined	195.79	196.25	195.69	194.82	198.67	(24/2)	175.67	(2/1)
TORONTO Industrial	192.70	193.21	192.74	192.10	197.43	(20/2)	176.01	(2/1)
JOHANNESBURG Gold	191.2	188.9	186.0	181.0	225.7	(12/3)	174.4	(5/4)
JOHANNESBURG Industrials	205.1	204.5	204.4	201.8	212.6	(3/1)	198.5	(5/4)

	April 23	Previous	1976 High	1976 Low
Australia (a)	455.26	454.02	472.91 (12/3)	445.32 (5/1)
Belgium (b)	104.52	104.56	113.18 (6/2)	104.34 (20/4)
Denmark (d)	103.36	103.22	107.79 (27/1)	100.30 (10/3)
France (e)	66.5	66.0	74.5 (5/3)	66.0 (22/4)
Germany (f)	787.9	790.9	821.7 (17/3)	765.5 (22/1)
Holland (g)	101.2	101.3	106.5 (5/2)	96.8 (29/1)
Hongkong (h)	450.69	457.68	465.53 (17/3)	354.5 (2/1)
Italy (k)	75.82	76.66	91.57 (23/2)	72.24 (12/4)
Japan‡ (m)	336.34	336.73	344.51 (24/3)	326.2 (5/1)
Singapore (n)	261.66	261.66	286.16 (3/2)	226.3 (2/1)
Spain (p)	89.36	87.81	93.66 (3/1)	85.43 (1/4)
Sweden (q)	462.68	462.82	465.32 (7/4)	385.35 (19/1)
Switz'rl'd (r)	289.5	290.6	298.6 (12/3)	255.2 (8/4)

Indices and base dates (all base values 100 except NYSE All Common—50, and Standards and Poors 10): (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73. (e) Paris Bourse 1961. (f) Commerzbank December, 1953. (g) Amsterdam Industrial 1970. (h) Hang Seng Bank 31/7/64. (k) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966. (p) Madrid SE 31/12/74. (q) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp. 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 425 Industrials. † 425 Inds., 50 Utilities and 25 Rails. § April 24 price.

OVERSEAS SHARE INFORMATION

NEW YORK

1976 High	1976 Low	Stock	April 23
13½	7¾	Addressograph	9⅝
28	22½	Aetna Life & Cas.	26¼
72	43⅝	Corning Glass	70¾
48½	42⅛	CPC Int'national	43½
78⅝	47⅝	Crane	67⅜
26⅝	21⅝	Crocker Nat.	24¼
32	23	Johns Manville	31⅝
96½	82¼	Johnson Johnson	87¼
25½	12⅝	Johnson Control	21⅝
43¾	29⅝	JoyManufacturing	59
2⅞	1	Reading	1¼
40⅛	27½	Republic Steel	36½
79¾	69¾	Revlon	76⅞
41⅞	22⅛	Reynolds Metals	38⅞

AUSTRALIAN WEEKLY LIST

TEL AVIV STOCK EXCHANGE

HONG KONG

SINGAPORE STOCKS

JOHANNESBURG

AUSTRALIA

CANADIAN WEEKLY LIST

CANADA

GERMANY

PARIS

AMSTERDAM

SWITZERLAND

MILAN

STOCKHOLM

COPENHAGEN

OSLO

SPAIN

BRUSSELS/LUXEMBOURG

TOKYO

VIENNA

CORAL INDEX Close 399-404

I.G. INDEX GOLD 126¾-128¾

Investment premium based on $2.60 per £—106¾% (107½%)

UCB cu[ts] its divi[dend]

BRUSSELS,

THE UCB Group has parent company net B.Frs.32m. (311m.) net dividend is B.Fr...

هكذا أصل

AUTHORISED UNIT TRUSTS

[illegible]

INSURANCE, PROPERTY, BONDS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

United States Tst. Intl. Adv. Co.
14, Rue Aldringer, Luxembourg.

U.S. Tst. Inv. Fnd. ...	$US12.42	-0.04	0.97

Net asset value April 22.

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2 01-600 4555

Cnv. Bd. Apr. 22 ...	$US8.87	+0.01	—
Energy Int. Apr. 22	$US13.31	-0.01	—
Gr.St.$Fd.Mar 31 ...	$US7.07	—	—

Warburg Invest. Mngt. Jrsy. Ltd.
1 Charing Cross, St. Helier, Jsy. CI. 0534 29041

CMF Ltd. March 25	$US20.48	20.75	.....	—
CMT Ltd. March 25	£20.43	10.70	.....	—
Metals Tst. Apr. 15	£12.59	12.90	.....	—
TMT April 8	$US10.95	11.25	.....	—
TMT Ltd. April 8	£11.19	11.48	.....	—

World Wide Growth Management⊕
10a, Boulevard Royal, Luxembourg.

Wrld Wide Gth Fd. ...	$US12.13	+0.04	—

NOTES

Prices do not include $ premium, where applicable, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ⊕. § Guernsey yield. # Suspended. ☆ Single premium insurance bonds.

...EGIONAL MARKETS

...e share prices previously shown under regional headings in ... quotations on London. Irish issues, most of which are not ... ndon, are shown separately and with prices as on the Irish ...

N'thn. Goldsmith	90	.....	Concrete Prods.	95	.....
P.M.A.	47	-1	Goodbody (£1)	25	.....
Pearce (C. H.)	80	.....	Heiton (Hldgs.)	29	.....
Peel Mills	13	.....	Irish Distillers	57	$-\frac{1}{2}$
RobbCaledonSh.	44	.....	Irish Wire	40	.....
Sayers 12½p	14	.....	Jacob	62	.....
Sheffield Brick	37	.....	Sunbeam	13½	.....
Sheff. Refrshmt.	140	.....	Unidare	78	.....

...ASE LENDING RATES

...anks Ltd.	9½%
...ess Bank	9½%
...se Bank	9½%
...her	10 %
...ao	9½%
...z	10½%
...s	10 %
...	9½%
...one S.A.	10 %
...	9½%
...ie Ltd.	10 %
...ngs Ltd.	10 %
...Mid. East	9½%
...	9½%
...nent AFI	9½%
...r Co. Ltd.	10 %
...s	10 %
...aphet ...	10 %
...	10½%
...Credits ...	11 %
...ank *	9½%
...urities ...	9½%
...s	9½%
...	10¾%
...s	11 %
...	9½%
...ont.	11 %
...ecs.	9½%
...	9½%
...Trust ...	10 %
...aranty ...	9½%
...s ‡	9½%
...m	9½%
...	9½%
...tners ...	13 %
... §	9½%
C. Hoare & Co. †	9½%
Julian S. Hodge	10½%
Hongkong & Shanghai	9½%
Industrial Bank of Scot.	9½%
Keyser Ullmann	10 %
Knowsley & Co. Ltd.	11½%
Lloyds Bank	9½%
London & European	11 %
London Mercantile	10½%
Midland Bank	9½%
■ Samuel Montagu	9½%
■ Morgan Grenfell	9½%
National Westminster	9½%
Northern Comm. Trust	10 %
Norwich General Trust	10 %
Portman Guaranty	9½%
P. S. Refson & Co.	9½%
Rossminster Accept'ces.	9½%
Schlesinger Limited	10½%
E. S. Schwab	11 %
Security Trust Co. Ltd.	11 %
Shenley Trust	11½%
Standard Chartered	9½%
Trade Development Bk.	9½%
Twentieth Century Bk.	11½%
United Bank of Kuwait	9½%
Whiteaway Laidlaw	10 %
Williams & Glyn's	9½%
Yorkshire Bank	9½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 5½%. 1-month deposits 5¾%.
† 7-day deposits on sums of £10,000 and under 5½%, up to £25,000 6¼% and over £25,000 6½%.
‡ Demand deposit 7%.
§ Call deposits over £1,000 5½%.

...IAL TIMES STOCK INDICES

April 25	April 22	April 21	April 20	April 15	April 14	A year ago
60.83	61.46	65.24	63.30	63.02	62.60	58.40
60.44	61.97	62.59	62.30	62.42	62.06	58.77
401.0	405.2	419.6	414.8	409.0	406.4	337.3
174.0	170.9	169.5	156.4	152.4	151.2	392.2
5.25	5.19	4.97	5.02	5.08	5.09	6.12
15.46	15.12	14.68	14.82	15.00	14.81	17.87
9.52	9.71	10.00	9.91	4.79	9.89	7.82
6,107	6,995	5,820	5,553	4,920	5,156	11,087
—	75.13	67.26	64.71	58.46	64.01	178.79
—	16,744	16,772	14,507	16,805	15,333	45,458

...M.3. 11 a.m. 396.5. Noon 403.6. 1 p.m. 402.0
2 p.m. 402.0. 3 p.m. 401.7.
Latest Index 01-246 8026.
... on 52 per cent. corporation tax. (b) Nil = 9.46.
... Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold ... Activity July-Dec. 1942

...AND LOWS

...976 Low	Since Compilation High	Since Compilation Low
60.19 (2/1/76)	127.4 (9/1/35)	49.18 (3/1/75)
59.73 (2/1/76)	150.4 (28/11/47)	50.53 (3/1/75)
381.6 (5/1/76)	543.6 (19/6/72)	49.4 (26/6/40)
140.1 (6/4/76)	442.3 (22/5/75)	43.5 (28/10/71)

S.E. ACTIVITY

—	April 23	April 22
Daily		
Gilt-Edged	164.1	146.0
Industrials	218.7	253.1
Speculative	64.5	85.3
Totals	159.0	159.2
5-day Av'ge		
Gilt-Edged	153.6	149.4
Industrials	206.7	197.8
Speculative	63.6	61.5
Totals	133.8	129.5

...-ACTUARIES INDICES

April 23	April 22	April 21	April 20	April 15	April 14	A year ago
158.77	161.62	164.37	162.56	159.51	159.46	130.98
176.07	178.74	181.37	179.50	176.28	176.24	140.32
5.42	5.35	5.25	5.30	5.40	5.40	6.24
10.48	10.68	10.85	10.72	10.26	10.22	6.83
165.63	168.47	171.05	169.07	166.07	166.85	140.47
14.19	13.99	13.60	13.60	13.66	13.88	15.16

COMPANY NEWS

Weir Group's need to increase profits

THE NEED for a considerable increase in profits before the Weir Group is in a satisfactory position, is stressed by the chairman Viscount Weir in the annual report.

More profits are essential to increase the capital investment programme, to finance a greater level of working capital, and to strengthen the balance sheet and have a better debt/equity ratio.

He is confident that a further improvement will be made to the latter in the current year.

In 1976 some £3m. will be spent on capital investment. "That is the most we can afford, but it is less than half the amount we could advantageously spend," the chairman states.

Steel foundries in Leeds, Sunderland and Holbrook will continue to be improved, but much of future expenditure will be in Sheffield and Alston. The market potential for Sheffield is attractive but heavy investment is needed to take proper advantage of it. It is intended to expand the level of investment in the engineering companies, particularly in Weir Pumps.

Looking at prospects for the current year, he says an improvement in the U.K. economy and increasing sales in overseas markets would give the opportunity to make a useful advance in profits. But at this stage he can only say that profits before tax should be at least in line with the £6.2m. reported for 1975. He hopes to be able to give a clearer indication at the AGM.

The market for the engineering, steel foundry, and hydraulic seal companies is still difficult. Short time working is still on in several areas and so far there has been little sign of any upturn from the recession of last year.

Performance in all these fields will be influenced greatly by the timing of any upturn in demand both domestically and, perhaps more important, abroad.

As reported on March 24, the profit of £6.2m. compared with £3.02m. in 1974 and the dividend is 4.3p (3.85p). In terms of the Sandilands proposals the 1975 profit would have been reduced by some £6m., and there would appear to be a gain in purchasing power of around £7m. The chairman asks shareholders not to read too much into these figures as "I have considerable reservations about the whole Sandilands exercise."

The background to operations was once again difficult. Orders were scarce at home and abroad, price competition was severe and inflation at home continued at a higher rate than in almost any other country.

New orders amounted to £129m. and the company entered 1976 with an order book of over £120m. Desalination plant represented a substantial part of both figures.

Development of new markets overseas, particularly in the EEC and the U.S. was a factor of increasing importance in the steel foundries side. Total sales value advanced by 46 per cent.

Meeting, Glasgow, May 21 at noon.

Chairman's statment, page 37
See Lex

Provident Life growth

MOST sections of the long-term business of the Provident Life Association of London contributed to the "remarkable" new business result for 1975, says chairman Mr. R. J. W. Crabbe in his annual statement.

New sums assured rose from £74m. to £156m., and new annual premiums from £1.5m. to £2.4m.

Long-term funds increased to £75.2m. after transferring £600,000 of realised property profits which had been held in investment reserve. The strong valuation basis used in 1973 and 1974 has been maintained except that some allowance was made for initial expenses in respect of business issued in 1975 and the rate of interest used for valuing the recently established class of pure endowments without profits was increased to 7 per cent.

The investment reserve stood at £7.5m. compared with £5.6m. at the end of 1974. The City premises, which comprise the bulk of property investments were last valued in 1973—they are due for revluation at the end of 1976 but, in the meantime, the directors do not consider it appropriate to make specific provision for any reduction in value in view of the relative size of the investment reserve.

Yield on the long-term funds of 6.49 per cent. was slightly less than the previous 6.57 per cent., mainly due to investment in the new head office premises.

The annual valuation revealed that the surplus in 1975 including the transfer from investment reserve totalled £1,530,729. After providing for bonuses to policyholders, and shareholders transfers, the surplus carried forward was increased to £1,063,502.

General business carried on by the subsidiary United Standard Insurance resulted in a bad 1975 underwriting experience. The total underwriting loss was £540,265 (£19,316) comprising property and accident £413,525 (£64,027) motor £43,567 (profit £37,669) and marine £83,173 (profit £7,042).

Shareholders' fund increased during 1975 to £2,047,216 due to the recovery in market values of securities. Out of this £200,000 has been designated as a contingency fund.

After paying the dividend—the maximum permitted 6.649p against 6.126p—setting up the contingency fund and making the transfers in the subsidiary's accounts the carry-forward in the combined profit and loss accounts was £346,612 (£577,603).

Meeting, Abercorn Rooms, Liverpool Street, E.C., May 19, noon.

Chairman's statement, page 36

New subsidiary for Boosey & Hawkes

Boosey and Hawkes has formed a new subsidiary, Boosey and Hawkes (Electrosonics). This follows the acquisition earlier this month of the 50 per cent. of Hammond Organ U.K. which it did not previously own.

Hammond will continue to be run by its existing management team who will also manage B. & W. (Electrosonics) which will market a range of electronic musical products both in the U.K. and overseas. It will be exclusive distributor of Leslie Speakers in the U.K.

The company will operate from new premises at St. Albans, where the business of Hammond Organ will be transferred at the beginning of May.

FINANCIAL TIMES SURVEY

Monday April 26 1976

Storage and Warehousing

The storage and warehousing sector is looking to the future more cheerfully as the recession ends. It is heartened by the growing realisation in industry that it has a real contribution to make in holding down costs through the provision of new and flexible techniques.

STORAGE AND WAREHOUSING II

Recession leads to a reassessment

A fork lift truck loading palletised canned food at NMT Industrial Storage Group's warehouse a tribution centre at Newbridge, Edinburgh.

HOPES ARE HIGH that storage and warehousing may at last be pulling out of the recession which has bedevilled the sector over the past 18 months. The downturn in the national economy, high interest rates, and the general mood of gloom caused the whole of manufacturing and distributive industry to re-examine costs, de-stock, and seek economies wherever possible.

Suppliers of the complex range of equipment used in warehouses — industrial trucks, handling machinery, racking and storage systems — found themselves confronted with dwindling markets on the one hand and rising costs on the other.

Defensive action taken by many companies has involved streamlining and rationalising production, concentrating product ranges, and making efforts to cushion the fall in the home market by moving into exports. There has been a reluctance to declare redundancies as the sector traditionally finds it difficult to attract sufficient skilled labour as the economy recovers from recession.

However, the main economic indicators are now pointing upwards, and since the turn of the year storage and warehouse operators have been reporting signs of an upturn in demand. At this stage, though, few members of the industry are prepared to state unequivocally how strongly based they think the recovery will be.

All industries emerge from recession somewhat chastened by the experience, but the storage and warehouse sector can take some comfort from the fact that the latest downturn has concentrated attention on how important a contribution it makes to total costs.

The days are long since gone when storage and warehousing could be considered as a self-contained sector; the activities are now a function of the total marketing of products. The growth in the size of manufacturing units and the revolution in retailing which has seen ownership of outlets concentrated in fewer and fewer hands demands new flexibility in the handling and storage of products. The warehouse operator needs to offer a sophisticated service balancing the frequency of deliveries, stock levels, the size and continuity of orders and the presentation and packaging of goods.

Nor should the concept of storage be confined merely to the formal structure of the warehouse as goods have to be handled and held in every stage of the process from raw material to final delivery. The Department of Industry estimates that the nation's annual cost of materials handling in all its forms accounts for an estimated £100bn. or nearly a seventh of the gross national product.

"It covers a field so wide that no single body has the resources, incentive and capability to take on the responsibility for promoting the wide-scale improvements now necessary." Accordingly, the department is now actively promoting the development of materials handling as part of its industrial technologies campaign.

To provide a positive lead the committee for materials handling, with a membership drawn from industry, education and the professional institutions, has been set up to seek out and encourage improvements.

Another indication of the level of official concern at the levity with which industry in general tends to treat stockholding and storage problems was given by the recent Little Neddy report on the distributive trade. Improved and rationalised physical distribution management should be included as one of the industry's major strategic objectives for the years ahead, the report maintained.

Techniques

One of the ways companies have sought to minimise the amount of money tied up in the distribution chain has been to turn to the specialist operators, such as SPD, TLT, and Cory Distribution. Such specialists not only offer storage and delivery services but also a full range of stock control and marketing techniques.

While notable, the growth of the specialists has not been as great as the pundits had forecast just a few years ago. A number of companies have opted to maintain their own warehouse facilities and use the specialists for a section of business and for times of peak demand.

Signs that recognition is now increasingly being given to the importance of minimising storage costs have been evident over the past 18 months. Marks and Spencer attracted publicity last August with the announcement that forward orders were to be curtailed, but this was merely one example of a trend which has seen retailers implement hefty reductions in the face of the problems involved in holding stock at a time of an estimated fall in sales. Predictably, manufacturers followed suit whenever possible — but there are signs now that this de-stocking trend has levelled out.

There are obvious limits to the extent to which de-stocking can be carried without affecting availability and speed of supply to the market, but the prizes for success are high; the Little Neddy report estimates that every 5 per cent. reduction in the level of wholesalers' and retailers' stocks held in the first quarter of 1975 would produce once-and-for-all savings of around £295m. and annual savings of around £60m. on financial and other costs.

Illuminating statistics about just where money is wasted on storage during the production process are thrown up by a recent survey, conducted by the National Materials Handling Centre, of 30 companies in the engineering sector.

This showed that on average materials handling accounted for 5 per cent. of turnover — or 14 per cent. more than the level of investment in stock and work in progress. "The significance of this comparison is that, although the importance of the cost of investment in stock and work in progress is universally recognised and its value controlled, there is complete ignorance of the cost of materials handling," says Mr. John M. Williams, director of the National Materials Handling Centre.

He insists that the main reason for inefficiency in materials movement and storage is lack of knowledge of costs. The study alone showed there were potential savings of at least £90m. a year in engineering and allied industries and there were clear indications that comparable savings could be made in other industries.

On average, about one worker in seven is employed in materials handling and there are signs that the labour force is not only increasingly difficult to recruit but is also subject to high levels of absenteeism and turnover.

However, the survey showed that, while labour accounts for some 43 per cent. of handling costs, buildings accounted for a larger proportion, at 47 per cent., with equipment responsible for 10 per cent. Possibly more surprising was the finding that within the factory, production facilities took 44 per cent. of the space, gangways 19 per cent. and storage 29 per cent.

Inadequacy

Major factors in boosting costs were the inadequacy of shop floor storage equipment and poor space utilisation, plus inefficiency in receiving and storing raw materials and components. By comparison, the cost of holding goods in defined storage areas was comparatively low.

The study rated space utilisation in nearly one in three of the companies surveyed as "poor," and "room for improvement" was seen in more than 50 per cent. of the sample. A comparable study of 125 plants in the United States suggested that the U.K. uses 60 per cent. more labour on materials handling.

Mr. Williams has made the point that one of the ways in which countries such as West Germany, Japan and the U.S. have enhanced economic growth is by mechanising ha storage. "The U.K. behind in these de and this technology major factor in res future growth." H the evidence sugges level of ignorance by about their storage c that the worst prac be eliminated by t information rath advancing basic rese

The Department of Committee for Mate ling sees its role as concerned with the obstacles to improve and storage than development of new To this end adviso are supplied, infor seminated, and semi stimulate action. A part of the Comm gramme is to pers panies to carry out cost audits so that sequences of ineffic methods can be re remedial action take

A recurring them Committee's work is capital investment is sarily a pre-requisite ment; increased cost a critical review o operations, and a str for layout and mater a company wide basi yield substantial ben

Given the amount interest now being sh tribution and materia In the widest sense, will it be possible underestimate the im storage and warehou sector is increasing itself under the spo the consequent glar make for improved ef

Arthu

Advantages of the automated system

EXCESSIVE MANUAL intervention in the process of handling materials at the various stages between the raw state and the finished product in the shop can now make goods prohibitively expensive, particularly in industrially advanced countries. At the same time, high cost of money and goods in stock is making it imperative to use advanced mathematical techniques to keep stocks down to the minimum compatible with prompt service. Some industries must err on the side of safety since for some products, like heavy and complex earth-moving equipment or jet engines, purchasers are buying the service as much as the equipment.

Various assessments have been made over the past several years—or since computing techniques have become more widely available—as to the precise breakdown of the total product cost in order to determine what cost bracket automation could be considered to work on.

The latest figures, made available by CAP — Computer Analysts and Programmers — indicate that handling and storage costs represent 30 per cent. of the total product cost for a wide range of manufactured articles. These costs break down into 30 per cent. for labour, 33 per cent. for interest on stock, 23 per cent. for buildings such as stores or warehouses and 14 per cent. for the equipment.

Read in conjunction with predictions that without a high degree of automation in materials handling at all stages, the massive increases in wages and social costs in Europe over recent years would lead to a 40/50 per cent. manual labour ingredient in the not too distant future are food for a great deal of thought. And so is the fact that many industries with multiple assembly plants are holding far bigger stocks than need be, even when there is a good central distribution system.

Hoarding

This was the experience of ASEA when it brought into operation the highly computerised distribution centre at Vasteras a few years ago. Although it was a 24-hour turnround system, the company found that local plant operators had been "hoarding" components against emergencies to such an extent that there was a float of more than a million pounds in the various factories around the city, occupying expensive factory floor space and eating its head off in interest.

It is clear, therefore that no move towards automation on this—or any other area—can succeed unless it is properly and clearly explained to those most closely involved. To the worker who sees a boring, repetitive manual task disappear the alternative of a much more intelligent and rewarding job must be offered and to the works managers, there must be a guarantee that whatever new system comes in, it will be reliable and fast, providing an audit trail so that inquiry will not be a tedious and time-wasting job.

Senior management may be sold on automation because of reductions of wasteful handling and of idle stock, but it takes the collaboration of those at the receiving end to make any such project work smoothly from the outset.

It also takes particularly skilful design of the computer equipment and its slave systems, such as warehouse control desks and stacker/picker crane units, and of the complex sequences of instructions (programs). These have to be written so that order lists, when fed into the computer, automatically produce picking lis down into warehous fork truck journey schedules for pickin replenishment. Ther co-ordination with the vans at loading points vans themselves are route scheduling to and reduce the n vehicles required. important, all operat to be matched availability.

One example of th major design job is done between F. W. and CAP on the for Swindon distributio This houses 8,000 line supplied to 600 stor South of England, a sents some 14m. cub storage space with 84, storage spaces.

There are 1,200 pal received and despatc normal working day, out tight control of ments the result could The computer sy designed, provides mediate inquiry syst tells management w one of the pallets i gives information on 8,000 lines and pinp completed suppliers' o

CONTINUED ON NEXT PAGE

مكتبة صور الأعمال

Some resistance to larger operations

NEW WAREHOUSE development has been hit by the bursting of the property bubble and the gloom and uncertainty of the current economic recession. As investment confidence declined, unlet accommodation mounted, rents eased and there was little incentive to undertake new ventures.

Figures released by agents, King and Co., illustrate quite clearly the knock the market has taken: throughout England and Wales at the beginning of this year there was more than 75m. square feet of vacant factory and warehouse space compared with only 34m. square feet just 12 months earlier. However, agents report an upturn in demand over the past couple of months and there is growing optimism that the market for warehouses may again be on the move. Indeed, some agents warn that demand could accelerate so quickly that *supply in some parts of the* country, particularly the south east, may prove inadequate in the short-term.

Warehousing is so crucial to the total stockholding and distributive function that the location, design, and equipping of the building must be carefully considered.

Economies

The trend has been towards larger and larger warehouses and studies undertaken by the *National Materials Handling* Centre illustrate the potential economies which can be realised from large scale operations. The Centre's Inter-firm Study of Wholesale Transportation and Warehouse Costs made the point that considerable savings per unit could be achieved if distribution could be rationalised into warehouses which had a throughput of more than 50,000 cases a week.

However, the reduction in costs of handling which can be achieved by using larger warehouses must be weighed against the transport costs of having fewer but more widely dispersed depots. The days of cheap fuel have long since passed and, even though *the* rapid escalation in energy prices may now have eased, operators must pay close attention to their total mileage costs.

The Government's recently published Transport Policy consultation document suggests that heavy lorries do not make a big enough contribution to road and environment costs and proposes higher taxation—a move which the Freight Transport Association estimates could raise distribution costs by up to £350m.

Another factor acting against larger warehouses is the reluctance of many insurance companies to provide cover at reasonable rates for areas of more than 30,000 to 40,000 square feet. Operators may be required to compartmentalise the warehouse by erecting fire-restricting doors. Apart from the obvious expense of such work, it can disrupt the smooth working of the storage system.

The important point for an operator to remember in commissioning *a warehouse is that* the building must retain its flexibility if it is to realise its full re-sale value. Valuable as purpose-built buildings may be to the current occupant, they may require expensive alteration and improvement *if used* for another trade. In response to this requirement, most new warehouses consist of a basic shell within which each tenant or purchaser can adjust the internal layout to suit specialised needs.

A handicap to the efficiency of many companies is the continued use of old-fashioned warehousing, equipped to *deal* with the needs of a former era and unsuitable for the sophisticated loading and handling techniques which are now available. *Such premises* may be oriented to the rail network and inconveniently sited for easy access to the developing motorway network.

Mr. Ken Firth, assistant director at the Materials Handling Centre, points out that it is very difficult to convince an operator that he would do better to relinquish old premises, which may stand in the accounts at virtually nothing, and invest in new warehousing.

For operators studying the problems of warehousing there *is no shortage of expert advice.* Apart from the Materials Handling Centre and other official bodies, there are many private consultancy firms.

Companies supplying materials handling equipment will also often enter into an arrangement with the contractor responsible for erecting the building to offer a complete service. The importance of the building and its services in contributing to handling costs are often underestimated, even where the operator goes to the trouble of trying to assess the total cost.

A survey conducted by the Materials Handling Centre of 30 companies in the engineering sector came to the conclusion that: "Although the importance of high indirect labour costs is frequently recognised, the equal significance of good use of building space is not." The study indicated that labour accounted for 43 per cent. of total handling costs, but buildings were responsible for a higher proportion, at 47 per cent.

An important factor in gaining maximum utilisation of space is to plan stockholding and storage as a complete system rather than dealing with the situation on an ad hoc basis. The Materials Handling Centre points out that the savings which can be made by method changes within particular departments considered in isolation are restricted. The danger of allowing the handling of material flow to develop in a fragmented manner is highlighted. "Greater savings can be achieved by taking a company-wide view of materials flow problems and implementing changes against a background of overall system designs," the *Centre advises.*

The value of warehouse facilities tends to be directly related to their access to the motorway and road network. *For this reason the* Government's preliminary thoughts about road building, as set out in the recent Transport Policy consultation document, are particularly relevant.

The previous Labour Government in 1970 published a White Paper in which it set the target of building by the mid-1980s a strategic network of some 4,200 miles of highway within easy reach of *all the major towns* and ports. But, with Britain's declining economic position and the increased emphasis placed upon preserving the environment, the programme has been steadily eroded. The Government has said that new roads in urban areas will usually only be allowed when it can be shown that other measures—such as traffic management, parking restraint, improvement of public transport, and more limited road improvements—cannot cope with the problem.

The recent White Paper on public expenditure illustrates clearly the way the Government has downgraded the importance of major new road building. In the last financial year only 51 per cent. of total transport spending was allocated to road construction and maintenance compared with 63 per cent. just 12 months earlier.

New road building in Scotland and Wales will be heavily influenced by development needs, *particularly* north of the border where improved communications should contribute to the drive to reap the benefits *of North Sea oil.* In England about 2,000 miles of the strategic network of motorways and trunk roads has been completed and the Department of the Environment regards a further 1,100 miles as "high priority," but this portion is not likely to be in use before the second half of the 1980s.

The remainder of the programme, *which should give* England a strategic network of 4,500 miles by about 1990, involves some major new roads but also consists of a large number of small improvements to existing highways. Over the next few year the road programme is likely to concentrate fairly heavily on the south east, reflecting the fact that much of the earlier building was related to the needs of the development areas.

Roads

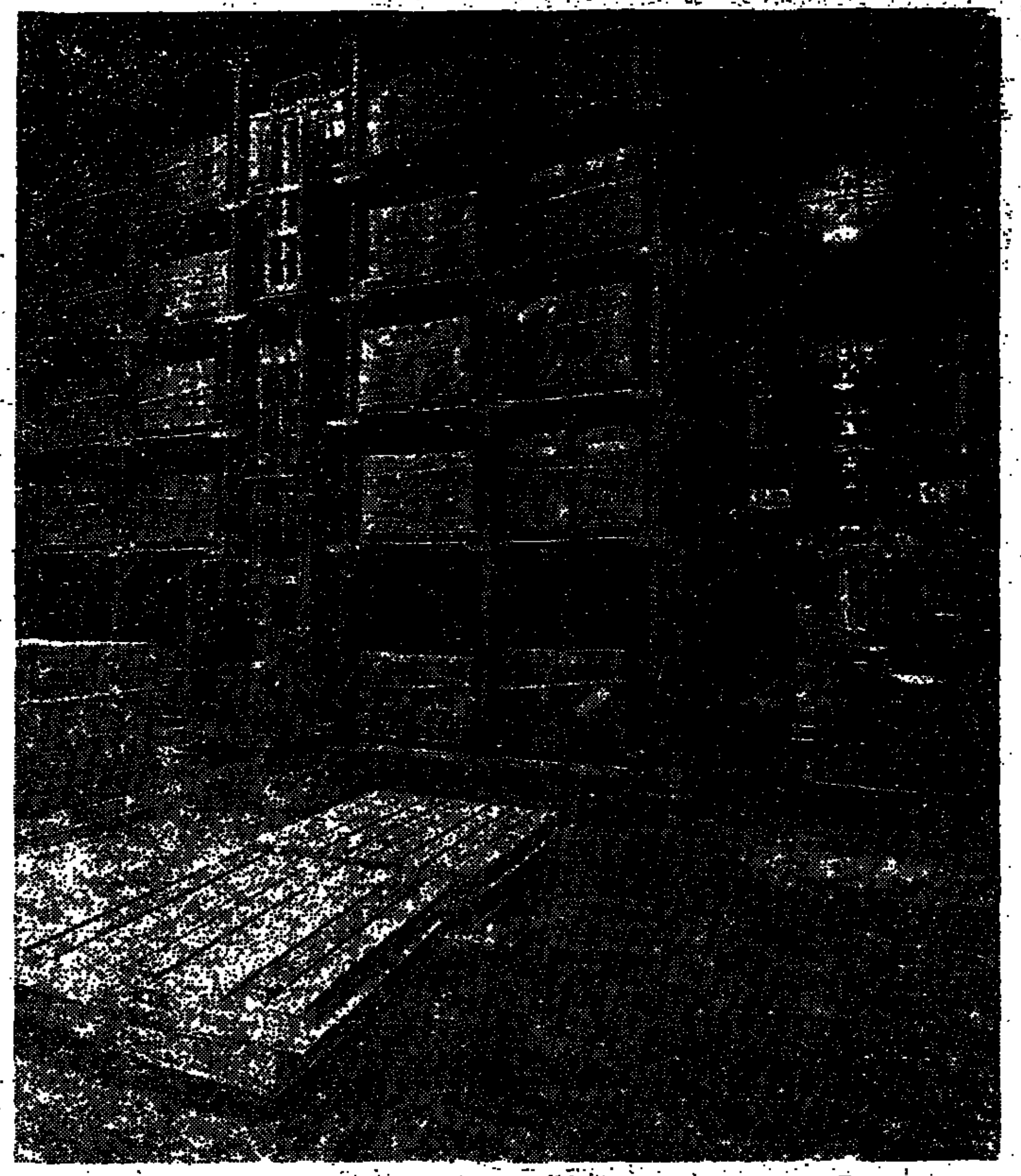
Work is scheduled to start on a number of important roads to the ports, including the M20, which will eventually connect *with Dover, the M3* to Southampton, the M180 to Immingham and the route from the Midlands to Felixstowe, Ipswich and Harwich.

Historic towns which have by-passes due to start in the next few years include Cambridge, Canterbury, Dorchester, Ludlow, and various towns on the route to the West Country. Schemes designed to reduce congestion include the widening of the southern end of the M1, the Chelmsford and the *Colchester* eastern by-passes, and the M42/M40 to the south east of Birmingham.

The consultation document dismisses the road versus rail argument and supports the view that there is not scope for the massive transfer of freight to rail. However, attention is drawn to the grants available to companies who might wish to set up private sidings. A number of these grants have already been made and £35m. has been set aside for this purpose over the next five years.

Overall, the outlook for warehouse operators is encouraging. As investment confidence picks up and the economy develops new momentum, the opportunity for new developments should be greatly enhanced.

Arthur Smith



The central stores of North Thames Gas at Bromley-by-Bow.

Advantages

CONTINUED FROM PREVIOUS PAGE

At the same time a perpetual inventory system is operating, together with the creation of orders on suppliers as stocks need to be replenished and the payment of these suppliers, as well as the *handling of distribu*tion to stores.

Another project in which CAP was totally responsible for the operating programs (software) was the *Trappes centre for* Ciba-Geigy. From this point 30 km. south-west of Paris the company distributes a variety of drugs and toiletries, requiring a 7,000-pallet warehouse. This is aligned in aisles, 70-pallet positions long by 12 high, served by stacker cranes under computer control serving both sides of the aisle.

The store is fed from a single palletising point and pallets for picking are brought to one of three picking stations. All stacker crane movements are directed by the computer (an IBM System 7) and so are those of the input and output conveyors. It is an important aspect of the design of such systems that they make maximum use of the available space and are optimised to cut down the amount of travel a crane has to do, putting the goods in most frequent demand in the most quickly accessible positions.

Also on a System 7 is the unique buffer store racking unit bult for Moët et Chandon at Epernay by Mills-K. Here a single computer operator is in control of a stock of quality *champagnes worth £10m. on* average and, of course, the whole system has been designed to work with the delicacy necessary when each pallet load is worth approximately £3,000.

This is all taking place at the "heavy end" of computing and warehousing. But computer technology is helping in many other ways. For instance, *Plessey* is using recording techniques developed primarily in support of computer memory systems as the basis of a lightweight recorder which can be used very simply and after minimal training to carry out stocktaking.

The calculator-sized device has a keyboard and records information on magnetic tapes which can *be read over directly into a* computer store if needed. Light pen readers can also be used to capture warehouse data and the advent of the low-cost micro-computer promises a host of new devices which will make the operation of large storage and recovery systems simpler, more reliable and cheaper.

Ted Schoeters

Competitive truck market

THERE HAS scarcely been a better time to buy an industrial truck. There can hardly ever have been such a "buyers' market." To be sure there have been no complaints among the manufacturers about actual "dumping." But the discounts available to companies buying industrial trucks for cash seem very high as the makers work hard to keep stocks down to reasonable levels while at the same time attempt to maintain a reasonable workload for employees.

An attack on British Leyland's industrial truck subsidiary, Coventry Climax, by Mr. Michael Grylls, Conservative MP for Surrey North-West, a month ago produced little supportive reaction from CC's rivals. But it did throw some light on the industry's marketing tactics. Mr. Grylls complained in the House that CC was offering discounts of £1,000 on trucks normally sold for £8,000.

"This sort of thing is not really helping British Leyland. All it is doing is making life more difficult for the rest of British industry. It is a crazy situation," he insisted.

CC's managing director Pat Lister replied, however, that in a business involving substantial exports, discounts of the order mentioned by Mr. Grylls—12½ per cent.—"are not extraordinary."

His company still achieved a good rate of profits on sales and return on assets and had been able to give its employees an assurance there would be five-day working throughout 1976 in spite of the recession which had put many of its competitors on short-time.

The intensity of the current competition among industrial truck companies is also mirrored in the financial marketing within the industry. Some time ago the major concerns latched on to financial marketing as a concept and began offering leasing and rental schemes to customers.

To-day these schemes appear more attractive than ever. For example, one company—Clark Equipment—is offering a six-year, long-term rental plan for its range of trucks. All this is a few steps onwards from the days when the first item on the list of manufacturers' priorities was that they had first to convince industrialists that they actually needed industrial trucks.

The makers generally are able to justify the cost of a truck by comparing it with the savings the purchase will bring. There are major savings in man hours, in storage space (palletisation allows nearly all the space between the floor and roof to be used) and palletised loads are less likely to be damaged.

Industrial trucks can also speed up the movement of materials through production processes—and it is a fact of industrial life that productivity increases if materials and components are always available, where they are wanted when they are wanted.

Because savings can be quantified, it is not too hard a job to convince a board of directors that the purchase of an industrial truck would be a good idea, even if they are watching cash flow and capital investment with more than usual interest. However, it is much more difficult to persuade them that an old truck needs to be replaced by a new model, particularly in these hard times.

Availability

The ready availability of rental and leasing schemes, which might appear expensive at first sight but looks less so after the various tax allowances are taken into consideration, also helps sell industrial trucks.

Apart from electric battery trucks which are widely used in the U.K., there are also the diesel types, used for outdoor applications, and those powered by liquid petroleum gas (lpg) which usually do a mixture of indoor and outdoor work.

Electric trucks hold the major part of the total U.K. industrial trucks market, having perhaps a 65 per cent. share, while among fork lift trucks, the electrics have about half the market, sharing it 50:50 with diesel. There is not much to choose between them in cost, including fuel costs, but operators in the U.K. tend to prefer the electric types because they do not pollute the atmosphere with fumes or noise or vibrate so much in operation.

The industrial truck market has always been very competitive and this becomes even more obvious at a time of depression in the industrial countries of the world. And it is at times like this that doubts rise again about the future of some of the local (that is U.K.-owned) companies in the face of such furious competition from their international rivals, four of them — Caterpillar, Clark, Eaton, and Hyster —from the U.S.

Competition from companies manufacturing outside the U.K. comes from the U.S., West Germany, France and Japan. Japan has specialised in the production of the most popular sizes of machines and used mass production methods. The Japanese machines are therefore low in price and have captured some of the U.K. manufacturers' traditional markets as a result, as well as establishing a foothold here.

So far the only casualty of any consequence during this recession seems to have been Joshua Shaw of Batley, Yorks., which makes side loaders and other lift trucks. As a result of a serious cash flow problem and lack of working capital caused by the drop in demand, Shaw's business went into receivership.

However, in stepped Coventry Climax, part of British Leyland's profitable special products division, to buy most of the Shaw assets for £450,000 and this deal should save the jobs of the 160 Shaw employees in the Batley area. Shaw's 5.8 acre site will continue to be used and will be modernised so that CC can move in a sales and service depot.

The £2.6m. sales of Shaw (last year's figure) will also help CC maintain its position as "number two in the fork lift truck industry"—the U.K.'s "number one" being Lansing Bagnall.

At one stage it seemed as if Clark Equipment might be pulling out of U.K. manufacturing and, indeed, operations at its Camberley plant have been in the process of running down. But now it appears that the company might be relaunching itself in the U.K. with a new plant on another site some time in the future.

Clark can hardly ignore the move by its giant competitor Caterpillar which is currently expanding production at its Leicester factory with the aim of penetrating deeper into the U.K. fork lift market. The plant at Leicester will become Europe's biggest, according to the company.

It will have a capacity of 25,000 to 30,000 electric and diesel trucks a year and to put this in perspective that output represents 27 per cent. more than the total made in Britain during the 1974 boom. However, Leicester has always exported a great proportion of its truck output—70 per cent.—and in this business "capacity" does not necessarily equal "production."

In this context Coventry Climax's plan to double capacity to 5,000 trucks a year by 1978 seems quite restrained. But this is the size the company believes it needs to be.

Britain's "number one" company, Lansing Bagnall, is traditionally reticent about its plans for investment. But the South African concern Barlow Myers last autumn revealed plans to expand its warehousing facilities in Britain (it does not manufacture trucks here).

At present the manufacturers' main problem is that of finding enough firm orders. Customers seem to be hanging back because of the general feeling of uncertainty about the future which pervades manufacturing industry at large. However, more and more people are becoming confident that the upturn really will arrive at the end of this year. The industrial truck makers had been hoping for a revival in demand in the third quarter of 1976 but this has now hardened into a forecast that appreciable buying will start at the beginning of 1977.

At one stage the rampant U.K. inflation, pushing up truck prices by 2 per cent. a month, encouraged people to buy. This impetus died away some time ago leaving the industry with plenty of inquiries but no orders.

The feeling seems to be that the demand "trough" hit bottom in January this year and things have looked a little brighter in recent weeks. As one executive put it: "The outlook is no longer pitch black, we are in a dirty grey area now."

Kenneth Gooding

A Sovex Marshall powered conveyor at Boots' warehouse in Beeston.

Racking much in favour

IN THE continuing quest for cheaper and more cost effective storage systems, the traditional racking technique remains a flexible and favoured method. Adjustable pallet racking was a concept developed originally in the U.S., but which has been refined and improved, particularly in Britain and West Germany, over the past decade. Accurate figures of the size of the U.K. market are difficult to obtain, but the National Materials Handling Centre estimates that perhaps between £25m. and £30m. worth of equipment is sold each year.

The wide range of different designs available enables the buyer to tailor a system to his individual needs, but common to all is usually a system of frames and beams put together by tapered hooks which fit into slots.

Manufacturers are constantly seeking refinements to improve the suitability and safety of racking systems, but there are few indications of any major breakthrough in technology. Mr. Ken Firth, assistant director of the National Materials Handling Centre, reports that upright sections are being re-examined and new lock mechanisms introduced, "but the pattern of racking seems fairly set."

Given the high cost of land, the most likely trend is for designers of storage systems to look for ways of improving the erection of racks to greater heights, and of developing machinery able to operate in ever more confined spaces. Already manufacturing tolerances and pressing techniques have been improved so that structured steel racks may be erected to heights of around 100 feet where they have to be serviced by stacker cranes.

The Materials Handling Centre, in a paper discussing the implications for the storage industry of the new Health and Safety at Work Act, has recommended further study into the risk of collapse of pallet racking.

Despite all precautions which may be taken, fork lift trucks used to place and retrieve loads inevitably bump into the racking. Occasionally, the damage results in the collapse of part of the racking, with loads of one ton or more crashing to the ground. In certain cases a "house of cards" collapse may occur in which the failure of one rack can bring down many other racks.

"Fortunately, most incidents of racking collapse have, to date, been notable for the miraculous absence of personal injury, even though the material cost has often been formidable. Clearly there is a real hazard in the use of racking which will come within the ambit of the new legislation," the Centre maintains.

Discussing what "reasonable" steps the employer using pallet racking should be required to take to ensure the safety of his employees, the Centre points out that the U.S. Rack Manufacturers' Institute has recognised that it is not generally practicable to eliminate the risk of collision between trucks and racking. Accordingly, the Institute's code of practice lays down design requirements, and the user is required to unload the racking immediately damage occurs, and to repair or replace it before re-loading.

Efficient

The Storage Equipment Manufacturers' Association has produced a design code which could form the basis of British and perhaps European standards. But, according to the Centre, "positive provision for serious accident damage is as yet not included, although it is understood to be under consideration for inclusion at a later date."

The centre reports that one major U.K. user of racking has already tested the feasibility of modifying his existing equipment to meet the safety levels set by U.S. practice. This showed that, provided the loading was fairly even, the posts were bolted to the floor and the racking was erected in double (back-to-back) runs, or in single runs effectively linked to the building structure, it was possible to retain most or all of the rack's load capacity.

The manufacturers' standard components were generally adequate, or needed little modification, provided that they were correctly positioned. However, the centre notes that floor anchor bolts proved an exception and might be far from adequate to resist the uplift that could occur if an adjacent leg was damaged when the rack was unevenly loaded. Many installations had no anchor bolts at all.

"Inspection of typical warehouses suggests that much of the racking at present in use does not have its components positioned in such a way as to maximise the margin of safety against collapse due to impact from fork trucks, and hence contravenes the spirit of the Health and Safety Act."

The Centre suggests that it would not be unreasonable to require pallet racking to be able to sustain damage equivalent to the complete loss of one post. Such a move would be in line with the U.S. standard. "Since the life of pallet racking may be considerable, it would be reasonable to take all possible steps, short of major modification, to maximise the safety of existing installations as wel[l as new] equipment."

A constructive appr[oach to this] problem, the Centre [suggests, would] be to form a wor[king party] which would include [representa]tives of major us[ers, manu]facturers, insurers, t[he Centre] and the Health and [Safety Exe]cutive. Such a group [could help] to establish the fea[sibility and] cost of various [measures for the] reduction in the risk [of collapse] of racking.

The necessary [information] would include estim[ates of the] cost of recent col[lapses. This] could be gathered [on a con]fidential basis by a[n indepen]dent body. Such a[n exercise,] the Centre maintai[ns, should] result in clarificati[on of the] legal obligations of [the] user, with a marke[d reduction] in the risk to hum[an life and] in the costs of dama[ge.]

The racking ma[nufacturers] have enjoyed a ste[ady expan]sion of demand ov[er the past] decade interrupted [only by the] recent recession. H[owever, an] easing of pressure o[ver the last] 12 months has enabl[ed them] to catch up with [their backlog] of work so that th[ey can] offer quicker delive[ry.]

The great attracti[on of rack]ing is its versatility[; it can be] assembled on any [floor and to any] height—including s[mall] storage area—accor[ding to the] needs of the user[. Racking] systems come into [their own] when speed of ha[ndling and] turnround are rec[quired. In] cases where sel[ectivity is] important, direct ac[cess can be] given to each indivi[dual pallet] and, where bulk r[equirement is] a priority, the syst[em can be] erected accordingly.

Design

Savings which [stem from] racking come not jus[t from] efficient stockholdi[ng but] from the reductio[n of losses] caused by damage a[nd pilferage.] Competition betwee[n the] racking suppliers i[s keen, and] a few companies, u[sing] specialised sales [forces and] extensive back-up fa[cilities, have] captured a large s[hare of the] market. The maj[or suppliers] include Dexion, [Link] Systems, Integrate[d...] and Acrow.

Rack suppliers [offer their] clients a comprehen[sive service,] providing the equ[ipment, in]vestigating the pr[oblems and] buying in the truck[s. There has] been little ten[dency for] rackmakers and truc[k makers] to combine: the us[ual practice] is for rack systems [and trucks] to be as intercha[ngeable as] possible.

In general th[e storage] industry can look [forward with] confidence to the [future. As] management com[es under] increasing pressure [to cut costs] by reducing stockh[olding and] streamlining w[arehousing] facilities, the dema[nd for] various storage sys[tems will] continue to rise.

Arth[ur ...]

Handling equipment

ONE LOOK in any complete glossary of handling equipment, such as the one recently compiled by SIMMA, the French association of companies in the materials handling business, shows just how daunting it is for any manager to make a quick decision on how a new plant is to be equipped.

There is a vast range of equipment available and widely varying methods of doing the same job, each with its own protagonists claiming one cost advantage or another. And new devices are continually appearing on the scene, some of them revolutionary like the steel beam handling equipment developed from the ideas of a British Steel Corporation engineer and announced officially by BSC a few days ago.

It is a magnetic system and has the great advantage of being much quieter than existing units which impose the wearing of heavy ear protectors on operating staff. An indication of its success—since the first operating system will not go into action at the BSC Shelton Works till the autumn—is the degree of interest it has aroused in potential users from Continental Europe who have the ideas of the whole world to pick and choose from.

Innovations

Major innovations from which other areas of the handling industry could derive ideas have been brought in at the large intercontinental airports. At the latest of these to come into full service in Europe, the Charles de Gaulle airport at Roissy, north of Paris, some extremely difficult problems posed by the architecture of the airport have been solved by the French partners of Saxby and the Teleflex organisation. The checked luggage conveyors with their overlapping flexible leaf design are noteworthy in that they are relatively simple to alter. One of them has been shortened and a special mini-conveyor set up in the vacated space to provide extra-fast luggage handling for Concorde passengers.

Also a significant problem-solver is the series of vertical elevators for luggage coming from check-in or going to the carousels, able to cope with a series of heavy cases in a wide range of sizes at rates impossible to achieve with any other means.

Roissy also features fully automatic transport by robot tug and trailers of luggage to and from aircraft. The tugs follow buried guide rails. They are equipped to stop immediately if a spring safety "hoop" ahead of the tug body is slightly depressed, through, for example, contact with a worker or some other obstacle in its path. The tug will try to resume its course to its pre-set destination after a brief pause and will make as many attempts as needed to carry on with the job.

Novel too is the idea that pneumatic systems should be used for rapid carriage of spares, components, tools or materials between stores and workplaces or despatch points.

Dialled Despatches has just installed a jumbo version of its airtube equipment, 600 mm. (23½ inches) high by 200 mm. (7⅞ inches) in diameter, which is able to carry payloads up to 10 kilos (22 lbs). While it is intended in its primary role for taking large production samples to a laboratory for routine testing, it is obviously able to cope with practically any object in its weight and dimension range. This could include liquids, delicate components and instruments since the departure and arrival are air-cushioned, though travel is at 7 metres a second.

A carrier is sent from station to station by air power from an electric blower unit at some convenient point near the tube run, which can be made to cover almost any distance and to run over vertical sections into roof spaces or to bridge roads or pass through underground ducting.

Tubing is in unplasticised pvc with bends made of glass fibre to simplify maintenance. Where usage is heavy, steel or alloy sections can be used and the send/receive sections are made of steel plate to resist wear.

Handlers

A number of new, specialised trucks have appeared on the scene recently from the heavy handlers by Rubery Owen Conveyancer, which provide a particularly neat solution to the problem of pier decking wear and tear, to the three mast high lift trucks shown by Fenwick in late December. But a unique solution to the problem of moving very awkward loads—large sheets of glass—in confined spaces has been in use at Glaverbel plants in Belgium for some time. Apart from being able to turn on itself in its own length there is a special control which allows the wheels to be crabbed so that the most fragile load can be inched into position without the slightest jar. This design is being extended to cope with loads up to 10 tons. There are, of course, many designs of tug or truck intended to cope with narrow aisles and difficult factory layouts, but the system in use at Gla[verbel does] not seem to have a[ppeared] elsewhere.

A neat solutio[n to the] energy consumptio[n problem] for stacker/pick[er cranes] has been achieved [by a firm] whose U.K. partner [is involved] in the spares syste[m for the] Tri-Star jets. First [examples] of these new ho[... with] counterweighted un[its are in the] vast Poclain spares [depot, with] Roissy now being [brought into] operation and due t[o be opened] officially next month.

The cranes have [a counter]weight running in [the] vertical member [and] require motors of n[o more than] 3 h.p. for their ope[ration com]pared with 13 h.p. fo[r ordinary] models. There is o[nly an] upper limit at the [top for] the weights handl[ed, above] which twin pillar de[signs must] be employed.

Of special interes[t to indus]tries handling goods [which have] to be painted and [dried at] particularly high te[mperatures] and with a range [of paints] including those havi[ng particu]larly penetrating sol[vents, is an] overhead conveyor s[ystem avail]able through Hytrac[. It is able] to accumulate, by-p[ass] and so on at comm[and and can] withstand temperatu[res up to] 300°C if required a[s pro]vided in models [with a] range of weights and [... One] of its main aspects, [is its] resistance to hos[tile] environments. Is si[mple in] layout and means of [...]

Ted S[...]

STORAGE AND WAREHOUSING V

Educating management

of advisory le to the storage operator is wide. be little argu- need to spread s widely as

st to the nation andling opera- to the Depart- try, is around arly one-seventh ational product. than the size is that studies ne of the prin- bodies, the rials Handling icated a notable e part of com- their handling

Williams, direc- e, has launched "a programme n" to highlight p priority in the promotional rmation and s.

eed to change s, Mr. Williams only do com- their material t there is also parity between practice. Con- ement could be ent technology ng basic re- ier. The atti- rs need to be hey realise the

resources that are currently being wasted and can reorganise materials handling accordingly.

Since the beginning of this month the Centre has been operating on behalf of the Department of Industry a free information and advisory service. A member of the staff—and they have all had industrial experience as consultants, materials handling equipment designers, or engineers—is available to deal with queries.

Service

Subscribing members of the Centre receive every two months a copy of "The International Distribution and Handling Review" which presents an abstract of important articles from more than 100 international journals. This service provides an important source of information for companies wishing to remain abreast of new developments, while the Centre's library has more than 1,500 books and documents containing technical reports and data.

Mr. Williams makes the point that even a very small amount of advice or information, given at the right time, can yield considerable dividends in improved efficiency. There is always a steady demand for advice on which equipment should be used. Companies considering installing new equipment to save money and improve efficiency will often turn to the Centre for guidance.

For a negotiated fee, companies can obtain more sophisticated consultancy services from the Centre. This can vary from the Centre providing an officer to give guidance to an in-house project team at key phases of the design process, to complete responsibility for the planning, design and implementation of a major project.

The Centre emphasises that it likes to involve a company's own staff on a project as much as possible because this tends to develop more spontaneous ideas and helps to build up expertise within the organisation. As part of the promotional campaign the Centre is holding a series of seminars between now and June next year in various parts of the U.K. This programme is intended to act as a stimulus and to provide companies with simple techniques to assess and improve their materials handling.

A feature of the seminars will be the findings of a recent survey into the materials handling costs of 30 companies in the engineering sector. So that companies are able to make their own assessment of costs and judge the extent to which they are likely to realise savings, the report of the survey includes two do-it-yourself audit programmes.

From the first programme a company can assess the effectiveness of its materials flow system and identify areas which may need improvement. From the second it is possible to estimate materials handling and storage costs.

Education and training is another important activity of the Centre and courses are provided on warehouse layout and handling methods. Research and development facilities are available and not just into the technical aspects of warehousing but also into markets and products.

Another valuable official source of information is the Warren Spring Laboratory, one of the Department of Industry's industrial research establishments. Research can be conducted by direct contract to a particular company but much information is also released through the scientific and technical press and by lectures and seminars. The Laboratory notes that, because of the general interest in materials handling within industry, the work is particularly suitable for co-operative funding arrangements between the Department and industry.

Automation is one of the ways which storage and warehouse operators have sought to raise their efficiency and impartial advice and practical guidance on methods available can be obtained from the Department of Industry low cost automation centres.

Links

A national network of centres was initiated by the former Ministry of Technology and they have developed close links with local industry in the areas where they operate. The centres offer guidance to all industries but have proved particularly helpful for materials handling problems. A range of services are offered starting from a basic advisory and demonstration function intended to encourage companies to evaluate potential savings.

Short courses for training employees can be arranged and companies are able to second a member of staff to spend a few days at a centre to acquire first hand knowledge of techniques. Under negotiated contract the centres may also carry out work on a complete project or contribute to some aspect of the company's own activities.

The Department of Industry, in response to the new attention focused upon stockholding, has set up a Committee for Materials Handling with a membership drawn from industry, education, and the professional institutions. The role of the Committee is to "provide a positive lead" in seeking out and encouraging improvements. It is trying to raise the standard and availability of education and training and to improve management information.

The Materials Handling Centre is able to advise companies by pointing to a few simple principles and providing positive examples of where major savings have resulted. The "elimination technique" involves a critical review of existing operations with the objective of reducing the number of movement operations, the distance moved or the quantity stored. Mechanisation, the Centre maintains, need not necessarily involve high investment. A wide range of techniques is available and some, such as the use of gravity conveyors and unit loads, are low cost and simple.

The Centre also advises companies not to change handling methods within particular departments on an ad hoc basis but to take a company-wide view and examine the total system. Emphasising the present lack of knowledge about handling costs within companies, the Centre suggests that one way of highlighting costs might be to re-examine management structures.

Apart from the various official bodies able to tender advice to storage and warehousing companies, there are a number of private companies offering consultancy and advisory services. Because the savings from improved systems can be so high—the Materials Handling Centre suggests £90m. a year in engineering and allied industries alone—this is bound to be an area which attracts newcomers.

Arthur Smith

The hazards of fire

SPREAD accep- e industry of enormous losses se fires, figures the appalling in 1974 a total is recorded for s in storage, atch areas. was exceeded es of "outside were distorted gh disaster. It note that more n storage than and 60 per started outside hours. factor about n 1974 was the in the cost of a total of 1,210 amounting to Out of the 20 es during the were in ware- a whole range g rayons, wool,

icates that as ouses increases of goods rises little has been that if a fire least contained t extinguished t this appears factor among experts such as on Association neglected by

us need is for ons in ware- ll prevent or num possible

warning of any fires, but given that no foolproof system has yet been devised, it is equally important that fire fighting equipment is efficient and in good working order. In automated warehouses this can easily make the difference between a minor incident and a total loss.

Fire fighting in high-bay warehouses is known to be an extremely difficult operation because of their design, and the hazard is such that unless any fire that occurs is tackled immediately it may not be possible to tackle it at all. Reliable automatic equipment is therefore essential.

There are increasing numbers of warehouses which have been designed to use space economically, resulting in high racked storage between long, narrow aisles with no fire separating walls within the warehouse. These factors increase the risk of fire spread and make access to the area of the fire difficult in many cases.

There are usually few doors and no windows, although in some cases break-in points may be available along the side of a warehouse. Inside a building the fire brigade may be faced with a fire high above ground level and only approachable through a maze of unprotected steelwork.

In these circumstances, early warning of a fire by means of an automatic detection system is essential because even a relatively small fire can cause distortions to steel racking or damage heat-sensitive, high value handling equipment, according to the Fire Prevention Association. An early warning has the added advantage of allowing the fire to be extinguished manually with hoses or extinguishers before the automatic sprinkler system is activated.

Given that other more fundamental precautions have been taken, such as replacing any combustible material and fitting fire resistant doors to the necessary openings, an efficient sprinkler system has a good chance of damping down a fire if it has been properly adapted for the job and well maintained. Tests have shown that sprinklers are needed at least at intermediate levels and possibly at every level and special care is needed to ensure that they are placed where they are not vulnerable to damage by stacking equipment.

Sprinklers

According to experts at the Fire Research Station, no racking system has yet been designed to accommodate the sprinklers and pipework within protected areas which are not accessible to the goods. The normal sprinkler is regarded as particularly vulnerable and an "in line" sprinkler which does not project from the pipe and does not have easily damaged components, has now been developed.

A number of other systems have also been examined but the basic sprinkler system is unlikely to be superseded by them. The possible advantages of roof venting as a means of reducing the accumulation of smoke and hot gasses within a high bay warehouse and the lateral spread of flames across the uppermost layer of goods beneath the roof should be borne in mind. Against this must be weighed the possibility that the vertical flame spread may be accelerated.

It has also been suggested that it might be possible to use high expansion foam to supplement the roof-level sprinkler, but some form of dual alarm system would be required to allow the conventional sprinklers to activate first, then the foam, allowing those fighting the fire to leave the area first. The use of carbon dioxide has also been examined, but on all these systems further research is required.

Companies operating warehouses of a more conventional nature have no reason to be complacent about their precautions, particularly with the value of goods rising at such a fast rate and consequently increasing the potential losses through fire. Despite widespread publicity, many companies do not understand the consequences of losing their entire stock of a product or even of all their products. The importance of being aware of new methods of dealing with the hazard and of keeping an eye on equipment, cannot be overstated.

Some of the most frequent causes of warehouse fires are burning rubbish, from which sparks are blown into the building, engine fires in lorries at loading bays or faults in battery charging operations, smoking, faulty electrical equipment or combustible material stacked too close to heaters or light fittings and finally malicious damage.

The most effective way of limiting the spread of fire within a warehouse is by subdividing it into fire resistant compartments and installing fire resistant doors and shutters to all openings. The effect of structural alterations on existing fire fighting arrangements such as sprinklers should be considered. Loading bays and battery charging facilities should be isolated by fire resistant material.

Access

Hose reels are usually more useful than extinguishers on incipient fires in warehouses because the water supply from them is not limited, but there are advantages to be gained from providing both. Extinguishers can be applied more quickly in many circumstances.

Finally, the fire brigade should be consulted about access roads, entrances or knock-in panels and keys to locked doors. Goods should also be stacked in such a way that they are easily accessible and stacks should never reach the ceiling or obscure sprinklers. The advice of experts such as the Fire Protection Association, where particular problems can be examined individually, remains the best precaution.

Lorne Barling

Leaders in the industry

S to know a mpanies they with and the ure is to give ose concerns ge and ware- The list, xhaustive but or companies

compiling a is well illus- dustrial truck as about 100 per cent. of from the g them. K. is Lansing vate company o give out But its turn- year must be Coventry ish Leyland one that is rom the State new manage- is climbing s Lansing e "number

CC acquired s of Joshua Yorks., indus- y which had ulties. Other op dozen in ubery Owen ncer. Boss, atbro, Mont- nd Bonsor

s. manufac- sented here. ar Tractors,

Clark Equipment (which seemed at one stage to be quitting U.K. manufacture but will more likely follow "Cat" and build up operations here substantially), Eaton Corporation, which used to use the Yale name, and Hyster.

These are just the manufacturers in Britain. All the world's major manufacturers have their agents in the U.K. even if they are not actually assembling trucks here. Hyster trucks, for example, are distributed and serviced in England and Wales by Barlow Myers, part of the South African group Barlow Rand, even though they are made in the U.K.

Turnover

There are about 30 significant crane makers in Britain but not all of them provide the overhead travelling cranes required in storage and warehousing. But, it is in this sector of the crane market that you find the really small companies, about 150 of them, with turnovers of under £500,000 a year.

Clark Chapman is the U.K.'s biggest maker of cranes and can provide anything from a five-tonne overhead travelling type to a 500-tonne steelworks ladle crane. Storage and warehousing companies would also seem likely to deal with companies like Herbert Morris, recently spurred back to life by a new management team, or Adamson Butterley, the old Adamson Alliance concern which was literally pulled back from the brink of extinction a few years ago and now is thriving again. Adamson is part of the Norcross group. Also in this sector are J. H. Carruthers, the Scottish business which is part of the Burmah Oil group, and J. Smith (Keighley), owned by Thos. W. Ward.

Representing the major overseas companies is Demag, the West German engineering concern which is part of the Mannesmann group (international sales over £2bn.). Demag Materials Handling has expanded its Banbury plant considerably over recent years and is now moving into other materials handling areas apart from cranes. It will also be offering a range of conveyors as well as its overhead travelling cranes in future.

In doing so it will provide competition in the supply of conveyors to the storage and warehouse industry by such U.K. manufacturers as Manufacturers Equipment, the "Rapistan" concern owned by J. H. Fenner, and Marryat Group's subsidiary Marryat Handling.

Acrow, which claims to be Britain's biggest supplier of construction equipment, is also in the business of providing conveyors and is also well-known to the storage and warehousing industry because of the storage and racking products it manufactures.

Of the other companies in the storage and racking business, among the U.K. leaders is Dexion-Comino International which in the summer of 1974 was taken over by Interlake Inc., an American steelmaker and manufacturer of storage and handling products. This caused some complaint from Wagon Industrial Holdings at the time because WIH, the Birmingham-based steel product group, owns Link 51, one of Dexion's main competitors. The protest from WIH was that, because the British Steel Corporation owned 20 per cent. of Interlake, the BSC would be "moving into a manufacturing industry in direct competition with its own customers."

Benjamin Priest and Sons (Holdings) is also well represented in the storage and racking sector through its Integrated Handling offshoot, while the J. Brockhouse group is in the field via its Finspa Engineering subsidiary.

Prominent

In the provision of distribution services the main companies also tend to be subsidiaries of bigger groups. For example, prominent in the field is SPD, which is run autonomously but is ultimately responsible to the Anglo-Dutch Unilever combine. Then there is Ocean Transport and Trading's subsidiary William Cory while Tate and Lyle Distribution immediately owns up to belonging to the sugar refiners. It is easy to see how these major groups developed distribution services of their own on such a scale—and internationally too—that they decided to split them off as separate operations selling their services to outside customers. Needless to say, the State-owned National Freight Corporation is also well represented in the distribution services sector.

Among the companies which offer storage facilities are Metrostores and NMT Industrial Storage, a business set up in 1961 by Mr. Rabi Khan, a graduate of Calcutta University, and which has just been linked with some Continental companies.

To end this survey of suppliers to the storage and warehouse industry let us return to providers of lifting devices. The three major manufacturers (of the 50 or so which advertise their products) of lifting and winding devices are Herbert Morris, the Clayton Crane and Hoist Company, owned by Porter Chadburn, and Matterson, part of the Williams Hudson (Williams) Group.

And although 100 companies are involved in the manufacture of lifts and escalators in the U.K., the market is dominated by Otis. Other important companies include GEC's offshoot, the Express Lift Company, and Marryat Group's Marryat and Scott.

Kenneth Gooding

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
15F	15A	Treasury 6½pc 1976‡‡	98⅞	9.1	6.57	10.12
1M	1S	Victory 4pc 1976‡‡	98⅝	26.1	4.04	—
14J	14D	Treasury 10½pc 1976‡‡	100	7.11	10.50	10.37
10M	10S	Treasury 6¾pc 1977‡‡	96½	2.2	6.48	10.50
15M	15S	Electric 3pc 74-77	93½	9.2	3.18	9.58
25M	26S	Treasury 11½pc 77‡‡	100½	18.2	11.44	11.05
15M	15N	Treasury 3pc 77‡‡	92⅝xd	8.4	3.24	8.14
20J	20D	Transport 4pc 72-77	92¼	13.11	4.34	9.13
15M	15S	Treasury 9pc 1978‡‡	96⅞	9.2	9.29	10.85
14J	14J	Treasury 10½pc 78‡‡	99	8.12	10.61	11.00
26M	26S	Exchequer 5pc 76-78‡‡	89⅝	18.2	5.58	9.91
6M	9S	Treasury 11½pc 79‡‡	100¼	2.2	11.47	11.37
17M	17S	Treasury 3pc 79‡‡	85	9.2	3.53	8.14
28M	28S	Electric 4¼pc 74-79	86¾	18.2	4.90	8.61
1M	1N	Treasury 10½pc 79‡‡	97¼xd	25.3	10.81	11.50
15M	15N	Electric 3½pc 76-79	85¾xd	8.4	4.08	8.21
3M	3S	Treasury 9pc 1980‡‡	92½	26.1	9.75	11.49
14M	14N	Treasury 9½pc '80‡‡	93¼xd	7.4	10.19	11.64
15J	15D	Treasury 3½pc '77-80	82¼	10.11	4.25	8.69
15J	15D	Funding 5¼pc 78-80‡‡	85¼	10.11	6.16	9.64
15J	15J	Treasury 11½pc 1981	99½	9.12	11.57	11.65
15F	15A	Do. 3½pc 1979-81	80¼	9.1	4.36	8.59
1O	1A	Do. 9¾pc 1981‡‡	92½	—	10.54	11.94

Five to Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15J	15J	Treasury 8¼pc '80-82‡‡	90¼	9.12	9.68	11.43
17M	17S	Treasury 12pc 1983‡‡	100¼	9.2	12.10	12.22
15J	15J	Funding 5½pc '82-84‡‡	78	9.12	7.19	9.93
10J	10J	Treasury 8½pc '84-86‡‡	84½	4.12	10.36	11.53
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ DM Prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 40% (based on $1.8279 per £)

Conversion factor 0.6850 (0.6908)

CANADIANS

[illegible]

S.E. List Premium 40% (based on $1.8607 per £)

††BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER & ROADS

[illegible]

BUILDING INDUSTRY—Continued

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Continued

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING, MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا اصل الأصل

INDUSTRIALS—Continued

[illegible]

††INSURANCE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

MINES—Continued

FAR WEST RAND

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
Feb. Aug.	Blyvoor 25	510	12.12	†Q100c	1.3	‡
Feb. Aug.	Buffels R1	910	12.12	Q180c	1.4	11.7
—	Deelkraal R0.20	135	—	—	—	—
Feb. Aug.	Doornfontein R1	415	29.12	†Q110c	1.4	‡
Aug. Feb.	East Drie R1	760	29.12	Q75c	1.7	5.8
—	Elandsr'd Gld Mng 20c	195	—	—	—	
Feb. Aug.	Elsburg R1	140	12.12	Q33.8c	1.0	14.3
Feb. Aug.	Hartebeest R1	£13⅛	12.12	Q215c	1.4	9.7
Feb. Aug.	Kloof Gold R1	485	29.12	Q55c	1.4	6.7
Feb. Aug.	Libanon R1	480	29.12	†Q110c	1.9	‡
—	Southvaal 50c	455	29.12	Q8c	1.3	1.0
Aug. Feb.	Stilfontein 50c	186	12.12	Q36c	2.2	8.3
Aug. Feb.	Vaal Reefs 50c	£15¼	29.12	Q175c	2.1	6.6
Feb. Aug.	Venterspost R1	225	29.12	†Q70c	1.9	‡
Feb. Aug.	W. Drie R1	£22¾	29.12	†Q485c	2.2	‡
Dec. Aug.	W'st'rn Areas R1	220	12.12	Q52c	1.4	14.0
Feb. Aug.	Western Deep R2	£10	29.12	Q147½c	1.6	5.8
Feb. Aug.	Zandpan R1	228	12.12	Q35½c	1.0	9.3

O.F.S.

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
Sept.	Fr. State Dev. 50c	115	26.1	Q14c	1.6	7.2
May Nov.	F.S. Geduld 50c	£14	22.3	†Q330c	1.3	‡
—	F.S. Saaiplaas R1	118	22.5	26c	C	3.0
May Oct.	Harmony 50c	400	22.3	Q65c	ϕ	9.6
Nov.	Loraine R1	112	22.9	Q6c	0.5	3.2
May Nov.	Pres. Brand 50c	£11¼	22.3	†Q250c	1.3	‡
May Nov.	Pres. Steyn 50c	780	22.3	†Q125c	2.2	‡
May Nov.	St. Helena R1	£15½	5.4	†Q250c	1.2	‡
—	Unisel	115	—	—	—	—
May Nov.	Welkom 50c	285	22.3	†Q55c	1.7	‡
May Nov.	W. Holdings 50c	£18¾	22.3	†Q475c	1.2	‡

FINANCE

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—	Ang. Am. Coal 50c	455	8.3	‡Q28c	2.8	5.0
May Nov.	Ang. Amer. 10c	290	22.3	Q35c	ϕ	6.7
Mar. Aug.	Ang. Am. Gold R1	£20½	9.2	Q250c	ϕ	7.5
Feb. Aug.	Ang-Vaal 50c	£12	12.12	†Q95c	3.7	2.5
Apr. July	Charter Cons.	156	1.12	6.21	2.2	6.1
Nov. July	Cons. Gold Fields	175	5.4	g7.37	4.3	6.5
Feb. Aug.	E. Rand Con. 10p	19	22.2	1.0	ϕ	8.1
Mar. Sept.	Gencor Inv. R1	240	9.2	Q40c	1.5	9.9
Oct. May	Gen. Mining R2	£18	22.3	Q210c	ϕ	6.9
May Sept.	G. Fields S.A. 25c	£16	23.2	Q225c	1.3	8.3
Jan. Oct.	Jo'burg Cons. R2	£18	26.1	Q165c	2.5	5.4
Aug. Feb	Middle Wit 25c	345	12.12	†Q28c	2.0	4.8
Mar. Oct.	Minorco SBD1 40	215	8.3	‡Q14c	—	‡
May Sept.	New Wit 50c	110	23.2	Q20c	1.6	10.8
—	Patino NV Fls.5	£11½	—	QC10c	10.5	1.1
July Dec.	Rand Selection 50c	570	17.11	Q75c	1.5	7.9
Jan. July	Selection Trust	560	1.12	14.0	2.0	3.8
Aug. Mar.	Sentrust 10c	168	12.12	Q30c	1.2	10.6
Dec. July	Silvermines 2½p	60	22.9	‡4.0	1.6	
May Nov.	SW Africa 30p	135	5.4	†17.87	2.0	20.4
July Jan.	Tvaal Cons. Ld. R1	950	1.12	Q65c	2.8	4.1
Mar. Sept.	U.C. Invest R1	220	9.2	Q36c	1.0	9.7
May Nov.	Union Crp. 6.25c	320	22.3	Q42c	1.4	7.8
Sept. Mar.	Vogels 2½c	80	23.2	Q6½c	1.2	4.8

DIAMOND AND PLATINUM

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
Nov. May	Anglo-Am. Inv. 50c	£22½	9.2	Q234c	ϕ	6.7
Dec. Sept.	Bishopsgate Plt. 10c	92	8.3	†Q4.5c	ϕ	2.7
May Nov.	De Beers Df. 5c	226	22.3	Q28c	ϕ	7.3
Jan. Aug.	Do. 40pc Pf. R5	£11	16.6	Q200c	ϕ	10.8
Nov. May	Lydenburg 12½c	103xd	20.4	†Q2.9c	1.5	1.7
Nov. May	Pot. Plat. 2½c	172xd	20.4	†Q5c	1.0	1.7
Nov. May	Union Plat. 10c	132xd	20.4	†Q4.9c	1.0	2.2
May Nov.	Waterval 5c	133xd	20.4	†Q5.2c	1.0	2.2

CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
November	Coronation 25c	100	22.9	‡Q34c	2.1	‡
November	Falcon Rh.50c	90	22.3	†Q35c	1.3	—
September	Globe Phnix 12½p	26	22.8	1.25	0.2	7.4
March	Rho.-Corp. 16½p	14	8.3	0.56	6.0	6.1
J. M.Ju. O.	Roan Cons. K4	170	12.74	‡Q16.0	4.7	‡
Jan. July	Tanganyika 50p	162	6.10	‡Q26	1.2	‡
Aug. July	Do. Pref. 80p	65	30.6	Q9	18.0	11.6
Nov. June	Wankie Col. Rh 1	23	5.4	†Q6½c	1.3	10.0
NvAgApJn	Zam.Cpr.SBD0.24	30	11.74	QUS4c	3.2	6.9

AUSTRALIAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—	Acmex 25c	24	—	—	—	—
April	A. M. and S. 50c	182	16.9	Q7c	ϕ	2.5
Nov. Apr.	Bougainville 50c	136	8.9	Q10c	ϕ	4.8
Nov. June	BH South 50c	168	9.74	—	—	—
—	Gold M. Kalg. $1	35	6.67	—	—	—
September	Hampton Areas 5p	64	28.7	1.18	4.2	2.8
—	Metals Ex. 50c	53	—	—	—	—
—	Metramar 20c	16	—	—	—	—
Nov. June	M.I.M. Hldgs. 50c	263	9.2	‡Q10c	1.8	‡
May Sept.	M. Lyell 25c	65	—	‡Q5c	2.4	‡
—	Newmetal 10c	2	—	—	—	—
June Nov.	North B. Hill $1	163	20.10	Q9c	1.4	3.6
—	North Kalg. 30c	6	—	—	—	—
June Nov.	Oakbridge $A1	72	23.9	†Q8c	1.3	7.3
—	Pacific Copr. 25c	22	—	—	—	—
—	Pancont'l 25c	925	—	—	—	—
—	Paringa M&Ex.5p	13	—	—	—	—
Apr. Oct.	Peko-Walls'd 50c	550	30.9	Q15c	ϕ	1.8
—	Poseidon 20c	170	30.6	—	—	—
—	Vultan Mir. 50c	10	—	—	—	—
—	Westmex 10c	7	—	—	—	—
Oct. May	W. Mining 50c	162	5.4	‡Q8c	0.8	n—
—	Whim Creek 20c	45	—	—	—	—

TINS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
September	Amal. Nigeria	30	9.2	5.62	1.6	28.8
Apr. Oct.	Ayer Hitam	213	8.3	†13.0	1.8	9.4
June Oct.	Beralt Tin	27	1.12	21.75	—	10.0
Jan. July	Berjuntai SM25	370	12.12	‡QSM2	ϕ	‡
Apr. July	Ex Lands 10p	14	16.6	15	3.8	16.5
Apr. Oct.	Geevor	210	8.9	‡12	2.3	‡
Nov. May	Gold & Base 12½p	10	10.74	—	—	—
June Dec.	Gopeng Cons.	230	26.1	‡11.0	1.3	‡
—	Hongkong	72	11.67	—	—	—
Sept. Mar.	Idris 10p	65	26.1	7.15	ϕ	16.9
—	Jantar 12½p	6	4.67	—	—	—
Dec. Apr.	Kamunting 15p	32	20.10	‡7.0	1.2	‡
July Dec.	Killinghall	195	12.12	Q50.0	ϕ	25.6
Apr. Dec.	London Tin 20p	165	3.11	‡7.0	1.3	6.5
Dec. June	Malay Dredging	207	1.12	10.7	2.0	8.1
June Dec.	♦Pahang	26	22.9	Q62.6	ϕ	15.4
July Jan.	Pengkalen 10p	50	26.1	7.0	1.5	21.5
March	Petaling SM1	103	27.1	—	—	—
Jan. July	Saint Piran	37	11.8	—	—	—
Apr. Nov.	South Kinta 10p	65	26.1	‡9.5	1.5	‡
June Dec.	Sthn. Malayan	170	1.12	10.7	0.9	9.9
July Dec.	Sungei Besi 20p	36	2.6	‡6.0	3.0	‡
Mar. Oct.	Sungei Way SM1	33	9.74	ZQ10	—	3.3
Sept. July	Tanjong 15p	45	26.1	4.0	ϕ	13.7
Jy Mar Sep	Tongkah Hb SM1	43	31.1	Q23%	0.6	10.3
Apr. Oct.	Tronoh	91	2.3	4.29	ϕ	7.3

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—	Botswana RST R2	54	—	—	—	—
June Dec.	Messina R0.50	245	1.12	Q35c	1.9	8.5

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—	Burma Mine 17½p	9	19.5	m0.5	—	1.5
—	Charterhall 5p	25	3.67	—	—	—
Aug. Feb.	Cons. Murch. 10c	865	12.12	Q80c	1.8	5.5
—	Laurasia	32	—	—	—	—
July	Northgate C$1	360	27.3	Q25c	0.3	3.6
Jan. June	R.T.Z.	229	17.11	5.42	ϕ	3.7
—	Sabina Inds. C$1	87	—	—	—	—
—	Tara Expln. $1	£11½	—	—	—	—
—	Yukon Cons. C$1	120	11.65	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ♦ "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Banks and Insurance, reserve allocations may preclude calculation of dividend cover.
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Based on 1973 profits.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ♦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 37

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £225 per annum for each security

FINANCIAL TIMES
Monday April 26 1976

Communists poised for Italy poll

BY DOMINICK J. COYLE

ROME, April 25.

AN EARLY Italian general election, in which the Communists are widely forecast to emerge as the country's largest political party, now appears virtually certain, following a week-end decision by the minority Christian Democrat Government of Prime Minister Aldo Moro to seek a vote of confidence in Parliament this week. Both the Communists and the Socialists say they are committed to voting against the Government.

The hard-pressed Christian Democrats, professing a degree of unanimity which few people here believe and which goes against the known conflicts within the party, have decided to "leave the final word" to Parliament.

The most likely outcome is a defeat for the government, and fresh elections — probably on either June 13 or 20—one full year ahead of schedule.

The most recent sounding of Italian electoral opinion gives the combined Communist and Socialist left fractionally over half of the popular vote, and opens up the now very real prospects that Italy within weeks could be the first country in which the Communist reach a major share in power through the ordinary democratic process.

Such an outcome has obvious implications for western Europe as a whole. Even more immediately, it concerns NATO, in which Italy has a major strategic role to play in the Mediterranean theatre, and is currently a member of NATO's top secret nuclear planning group.

The Communists insist that in Government, they would not demand the country's withdrawal from the western alliance while the U.S. has, through Dr. Kissinger, Secretary of State, given warning that a government with Communist participation would pose a threat to NATO's existence.

Refused

After two weeks of open dialogue and some private exchanges, the Christian Democrats last night failed finally to secure all-party backing for an emergency economic programme to tackle the country's worst recession since World War Two, together with reaching some measure of compromise over the contentious issue of abortion which is scheduled to be the subject of national referendum early in June.

Virtually all the opposition parties professed to see some merit in the economic package presented privately by Sig. Benigno Zaccagnini, the Christian Democrat's party secretary. But both the Communists and the Socialists have refused to back the package unless it forms part of a "political accord" which would amount to a form of national Government for the remaining year of the present Parliament.

Such an accord, in the view of the still powerful Right wing of the long-ruling Christian Democrats, would amount to conceding to the Communists at least the principle of the so-called "historic compromise" or grand coalition in Government of all the democratic forces in Italy. The ruling party has now chosen instead to put the issue directly to Parliament.

The smaller Italian political parties, including the Social Democrats, the Republicans and the Liberals, have responded positively to Zaccagnini's overtures for an emergency economic programme, and numerically at least their combined support could just about save the Moro Government in this week's confidence vote.

The decision to go to Parliament this week—the confidence debate is scheduled to start on Tuesday, with the crucial vote expected on Thursday evening or Friday at the latest—conceals the very real concern of the Christian Democrat leadership, and particularly of Premier Moro and party secretary Zaccagnini, that the party could well face a major setback in early elections.

Allegations

This concern can only have been increased by the week-end allegations in the Italian Press that senior government officials may have been involved directly in payments by the American Lockheed company in exchange for the Italian air force ordering Hercules aircraft. A Parliamentary commission of inquiry is continuing its investigations into the whole affair.

In the last general election, May 1972, the Christian Democrats secured 38.8 per cent. of the popular vote, against 27.2 for the Communists and 9.6 for the Socialists. The balance was spread among the smaller parties, including 8.7 for the neo-Fascist MSI. However, in last year's regional elections, the Communists increased their electoral support to 33.5 per cent., or just two percentage points below the Christian Democrats.

Editorial comment, Page 14

Economy main topic as MPs return

By Richard Evans, Lobby Editor

THE COMMONS returns to-day from the Easter recess to a term likely to be dominated by the state of the economy and the bargain negotiated between the Government and the TUC on the next phase of pay policy.

The Premier's team of Ministers, now settled into their jobs after the short recess, will find that the brief honeymoon period allowed by the Opposition is at an end, although there will be little opportunity for attack this week.

A number of highly controversial Government measures are at a critical Parliamentary stage and the Opposition will make every attempt to exploit the Government's lack of an overall majority.

In particular, the Bill nationalising the aircraft and shipbuilding industries is making slow progress during its committee stage and Ministers will have to consider shortly whether to impose a guillotine to force the measure through.

But this could prove a difficult task for the new Chief Whip, Mr. Michael Cocks, in view of the combined opposition of all minority parties.

Pay beds

Mr. David Ennals, the new Social Services Secretary, has made it clear he intends to push ahead with the equally controversial Bill to abolish pay beds and this could face equally difficult whipping problems.

No decision has yet been reached on thec omposition of future standing committees, which consider Bills in detail. The membership reflects the state of the parties in the Commons, and as the Government has no overall majority, the Opposition is pressing for a change in the formula to end its majority of one on committees.

Ministers still intend to publish a devolution Bill in the spring, although for debate rather than for legislation. The final Bill will follow in the next session of Parliament after what is hoped will be a detailed and constructive debate.

The interim Bill might be delayed slightly in order to allow Mr. Michael Foot, the Minister now in charge of devolution, to make a full study of the subject and to take further soundings. He is known to be a less dedicated devolutionist than his predecessor, Mr. Edward Short.

Doubts on U.S. aid to guerillas

BY OUR FOREIGN STAFF

THERE was some confusion yesterday about the possibility of U.S. military aid to African nationalist movements in southern Africa. As he reached Dar-es-Salaam to see President Nyerere of Tanzania, Dr. Kissinger, the Secretary of State, seemed to rule out categorically such aid. But a spokesman later said that while there was no possibility of this now, Washington would take a second look at the position, if "the experience of Angola was repeated."

Before he left Nairobi, first stop on his seven-country African tour, Dr. Kissinger pledged U.S. support for majority rule. The U.S. "will use its political and economic influence to bring about these objectives," he said, but added: "The United States does not plan to give military aid in any form to the Nationalist movements in Africa."

Dr. Kissinger: No arms for guerillas.

Statements by a senior official with Dr. Kissinger that the U.S. was considering moral, economic and political, but not military support for Black Rhodesian liberation movements are likely to be closely examined by African leaders. It is considered unlikely that the U.S. would give economic aid without strings to prevent its use to buy arms.

Leaving Kenya, where he had a private meeting with President Kenyatta, Dr. Kissinger said the liberation movements in Namibia (South-West Africa) and Rhodesia had "a legitimate and crucial role to play" in bringing majority rule. He did not mention South Africa.

He would meet representatives of the movements, but made it clear U.S. aid would probably be channelled through established Governments.

He arrived in Africa on Saturday after talks in Britain with Mr. Anthony Crosland, the Foreign Secretary, that day. Before he left he said he strongly supported the Government statement on Rhodesia, made by Mr. Callaghan last month, that the Smith regime must accept the principle of majority rule.

"We believe that time is running out," he said. "But the opportunity for a negotiated settlement that may still exist must be seized almost immediately."

Dr. Kissinger was greeted in Tanzania with an editorial in the Government-owned Sunday News strongly criticising past U.S. policy in Africa, but saying the visit could change the basis of American attitudes.

In Rhodesia on Saturday two Nationalist guerillas, a Rhodesian soldier and an African civilian were killed in incidents in the south-east border area, a Defence spokesman said. In a clash between troops and guerillas two soldiers and a game warden were wounded.

Provo Dublin rally passes off quietly

BY GILES MERRITT IN DUBLIN

BARRING A few angry clashes between marchers and riot police, the Provisional Republican movement's massed rally commemorating the 60th anniversary of the 1916 Easter Rising, passed off quietly in Dublin yesterday.

The demonstration, which was also intended by its organisers to mobilise support for the Provisional IRA, took place against the background of a Government decision to proscribe it. There is still the possibility that stewards and speakers at the rally may later be arrested and liable to three months' imprisonment.

During the afternoon, the police were said to have taken down the names of participants in the demonstration, and although no arrests were made, proceedings are still expected. The authorities have also threatened to dismiss any civil servant who took part in the march.

In view of the calm atmosphere that prevailed during the march and most of the ensuing rally outside Dublin's famed GPO building, focus of the 1916 rising, the Irish Government is expected to regret its decision to impose a ban when the Cabinet meets early this week. In doing so, it gave the demonstration a stature and the publicity that, in the event, it did not merit.

The turn-out of 25,000 had been predicted by the Provisionals but it was estimated at "several thousand" only by the police.

Both the Government and the rally's organisers, the IRA's Provisional Sinn Fein political wing, appeared determined to avoid confrontation. The military riot squads that had reportedly been drafted into Dublin remained out of sight, while the Provos had clearly issued orders that their supporters should refrain from provoking the police.

Rees condemns flare-up

BY OUR BELFAST CORRESPONDENT

THE WEEK-END flare-up of sectarian violence in Ulster in which one man died and nearly 40 others were injured has been strongly condemned by Mr. Merlyn Rees, the Northern Ireland Secretary.

Speaking after the bombings, shootings and incendiary attacks, he said the events underlined the vicious circle of retaliation in which mindless men of violence put innocent members of their own communities at risk.

The attacks were mainly directed at Roman Catholics. The 63-year-old owner of a public house at Hilltown, County Down, was killed by a car bomb, and 27 people were hurt in a similar incident at Warren Point.

In County Antrim, three Roman Catholics were injured when gunmen fired into a bar at Dunloy.

Incendiary bombs destroyed two large shops in Newry, and in Belfast the police asked shopkeepers to consider placing 24-hour guards on their premises after a wave of fire bomb attacks which damaged four shops inside the city centre security zone.

THE LEX COLUMN

Explaining the Lucas issue

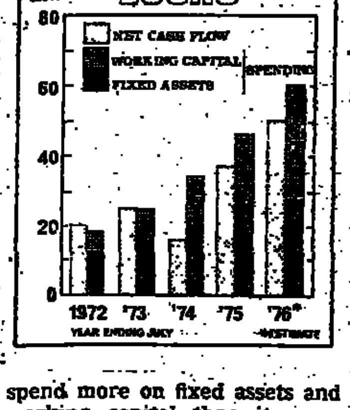
After its £43m. rights issue Lucas Industries' balance sheet will look positively undergeared. Shareholders' funds will amount to something over £260m., compared with loan capital of less than £50m. and net balances of maybe £10m. or more. The last rights issue was only four years ago, and has not so far proved to be a rewarding investment. But Lucas can still make a fair case for raising new money on this scale.

In the first place, its profile has changed considerably since 1972. Overall turnover has doubled, and sales to the Continent—which now represent over a fifth of the group total—have more than trebled. This expansion has required a substantial increase in working capital, and although overall returns have improved considerably—from 11½ to over 16 per cent. on capital employed—cash flow has still run well short of total spending in each of the last three years. But the group has now established major shares in new areas—it has a fifth of the Continental brake market, for instance, and is the dominant supplier of diesel equipment in France—and as a result has been able to pull through—and ride the problems of the U.K. motor industry with few visible scars.

In addition, its traditional U.K. activities appear to be moving towards a new level of profitability. In the current year, the contribution from aircraft equipment and industrial products could rise from under £3½m. to nearly £8m.; even then returns on the aircraft side, with turnover running at around £80m., will be inadequate, and Lucas expects a continuing improvement in future years. In the vehicle equipment division, the electrical businesses could also produce very roughly £4m. more this year following an expensive reorganisation in 1974-75.

The third source of momentum in the U.K.—where profits in 1975-76 could rise by roughly a half from last year's £24m.—is diesel equipment; and this is, of course, where the new money comes in. Currently accounting for under a fifth of group sales, Lucas expects the world market for diesel equipment to grow annually by nearly 10 per cent. over the next five years, and plans to double its capacity within that time. Phase One of the programme amounts to £35m., perhaps two-fifths of the overall spending, and got under way last autumn: it should be reaching the pay-off stage in a year's time.

Lucas claims that its ideas about the ultimate market are still having to be revised upwards, and is budgeting to



spend more on fixed assets and working capital than it generates out of trading for at least the next two or three years. Capital spending overall will amount to roughly £30m. this year, and considerably more than that in 1976-77.

So it can be argued that this rights issue, unlike so many, is being made to finance a specific and apparently attractive investment opportunity. Unfortunately, the group does not at present disclose the sort of breakdowns that would enable shareholders to monitor management's progress. Now would be the time to consider a change: a group like Associated Engineering, after all, gives away much more about its markets without visibly damaging its competitive interests.

Of course the issue arrived at an uncertain time for the market. The ex-rights yield is 5½ per cent. and the p/e for this year (and, possibly, next) is under 7 so the price looks sustainable: final decisions do not have to be made until the end of May.

Marshall Cavendish

Virtually the whole of Marshall Cavendish's 1975 profits recovery can be attributed to a turn-... losses in the U.S. ... group is plainly not ... much, if any, over ... in 1976. But the ... going to be held ... net payment risin... per cent. last year ... at 35p now yield ... This is covered 1... Marshall is still n... cent. short of 197... levels.

Profits are £1.1... £2.27m. pre-tax, ag... in 1973 and £3.7... earlier when mar... heady days for publishing were ru... per cent. of sales. ... December last yea... margins were 24 p... part works now ac... only half of total ... sales remain very ... run-down of the U.... accounted for £4... year's £4.6m. sale... £12.9m.

Marshall is curre... hard into conventi... ing: both hard- and ... It can afford to ... resources at the ... £3m., and no borr...

Weir Group

It might have ... the clanging of st... the time, but it is ... that Weir Group ... its way to repay i... DM55m. loan ahead ... last autumn. The ... had risen from ... £6.3m. to around ... time of repayment ... would have been ... of £11.8m.—an ... the past 16 mont... equal to more th... of the rights ca... Weir last Novemb...

Weir is intent ... balance-sheet ... Net borrowings ... reduced by £6.7m. ... per cent. of tangib... and the group is ... that this ratio can ... in 1976. The forec... maintained profits ... net cash flow can s... and capital spend... limited to £3m., ... what Weir would ... liked.

As for the share ... 86p is 4.3 and a ... yield is covered o...

Aluminium price rise

FINANCIAL TIMES REPORTER

The British Aluminium Company is raising the price of its primary aluminium products from to-day in a move which will affect a wide range of industries, including building and vehicle manufacturing.

The company, which last announced price increases in January, said that the price of primary aluminium ingot would go up by an average of 11.86 per cent. on all orders and dispatches from to-day. There also would be consequential rises in the prices of rolled, drawn and extruded products.

British Aluminium said last night that the increases were being held to a minimum and did not fully reflect higher costs being incurred by the company. The price rises would vary for individual products and customers would be notified of specific increases in the products they purchased.

Aluminium companies recently have faced sharply rising transport and fuel costs and higher prices in raw materials.

Protests plan on fuel prices

DEMONSTRATIONS against rising electricity and gas prices are planned during the Right to Fuel Campaigns week which starts to-day.

The campaign, launched by the British Association of Settlements and Social Action Centres, is supported by organisations such as Shelter, Age Concern and Mind.

Its 140 local groups plan demonstrations outside electricity showrooms and in shopping centres, participation in May Day marches and petitions to MPs.

Record £26.91m. BAC profit as sales, exports rise sharply

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SALES, exports and profits of the British Aircraft Corporation rose sharply last year to reach the highest levels in the group's history. Orders in hand also reached a record.

The BAC (which is owned jointly by Vickers and GEC) is one of the companies to be nationalised in the Aircraft and Shipbuilding Bill now before Parliament (the others being Hawker Siddeley Aviation, Hawker Siddeley Dynamics and Scottish Aviation).

The BAC group's trading profit in 1975 amounted to £26.91m. on sales of £307.13m. compared with a trading profit of £24.45m. in 1974 on sales of £271.81m., according to the statement of preliminary results by BAC (Holdings). In 1973, trading profit was just under £17m. on sales of £174.35m.

The net profit for the group, after tax but excluding extraordinary items, was over £14.15m. in 1975, against £12m. in 1974 and over £5.87m. in 1973.

The group's export sales were at a new peak of £199.57m., against £173m. in 1974 and over £92m. in 1973.

These results were mainly due to exports of guided weapons and military aircraft, and associated services, where a high level of activity has been maintained. They were the main reason for the higher profits.

"But, because of the world-wide recession in civil aviation, conditions have remained difficult for the Commercial Aircraft Division, where it has been impossible to avoid some reduction in employment," says the company.

The sales figures do not include the Concorde supersonic airliner, since the first deliveries to British Airways were not made until early this year.

The current order book, which includes orders for Concorde from British Airways and Air France stood at a record level of £850m. at the end of 1975, against £815m. a year earlier.

Earnings per share for 1975 were 47.2p. against 40.1p for 1974 and 19.6p for 1973.

Continued from Page 1

Callaghan confident

Budget speech, the Prime Minister said that some aspects of it were still misunderstood. Trade unionists who thought it was a low offer designed to make way for a higher compromise figure were mistaken.

"High wage settlements which lead to further inflation do not and cannot increase real earnings—what money will actually buy. The last 12 months' experience have proved that to every trade union member.

"To-day the first and overriding objective of the Government is to reduce the rate of inflation only when we have done that will increases in money earnings and increases in real earnings mean more of the same thing."

He cautioned that the Government was offering a means of stemming the tide, not of improving living standards. "I don't come before you to offer a real improvement in standards of life this year. If I did, I would be deceiving you. No Chancellor can by himself conjure a higher standard of life out of his budget box until inflation is conquered."

Turning to the erosion of differentials, Mr. Callaghan said he sympathised with the grievances of union negotiators, "but inflation an dunemployment are bigger grievances still. There aren't many differentials between two men standing in a dole queue."

The Government was offering a deal which was fair to the poorest families and which would work. "But I add this caution. The policy which the Chancellor is proposing will succeed only if it is genuinely and freely accepted without subterfuges or attempts to by-pass it."

He added: "From the response we have had it is certain that the Government and the trade unions will succeed in reaching a new agreement that will enable us to take another giant stride to overcome inflation and safeguard jobs."

Earlier in the day Mr. Murray also received a standing ovation when he told the Wales TUC meeting in Llandudno that he was sure that the pay proposals being worked out between the TUC and the Government would be endorsed by the special TUC Congress called for mid-June.

Addressing delegates who on Saturday passed an emergency motion highly critical of the Government's economic policy and rejecting the Chancellor's Budget offer on wages, Mr. Murray defended the TUC's willingness to enter into a second stage of wage restraint.

The trade union movement was best off working with the Government to clear up the mess and make the country a more prosperous place to live and work in, he said.

£2.75bn. for medium-term loans

BY MARGARET REID

THE BIG banks have now made firm commitments to lend as much as £2.75bn. in medium-term credit to productive industry in Britain - compared with only £1.5bn. a year ago, a Treasury Minister said at the week-end.

Even allowing for the fact that only half the promised amount has yet been lent, Mr. Denzil Davies, Minister of State at the Treasury, estimated that medium-term loans might now account for about a quarter of total bank lending to industry. The figures exclude fixed interest rate loans for exports and shipbuilding.

Mr. Davies underlined the Government's present preoccupation over the adequacy of finance to foster a much-needed upturn in industry's capital investment, by raising some basic issues on the system of financing. These included the possible need for more medium-term loans.

His comments, made at a Fabian Society seminar on "Investment and the City" follow the reference by Mr. Denis Healey, Chancellor of the Exchequer, in his Budget speech, to the possibility that medium-term bank loans to industry might become eligible for re-financing at the Bank of England.

This scheme, if adopted, would encourage the banks to lend in this way by assuring their ability to realise such loans, if need be, through swopping them for cash at the Bank of England. Similar arrangements already exist for the financing of exports and shipbuilding.

Mr. Daives said: "This is a proposal that would need to be examined carefully, bearing in mind the possible public expenditure and monetary policy implications."

Weather

SUNNY spells. Showers in E. areas.

London, N.W., S.W. and Cent. S. England, Midlands, Lakes, I. of Man, Wales

Dry, sunny spells. Wind N.E., moderate or fresh. Max. 12-13C (54-55F).

E., N.E. and S.E. England, E. Anglia, Channel Is.

Showers, sunny intervals. Wind N.E., moderate or fresh. Max. 10-11C (50-52F).

Borders, Edinburgh, Dundee, Aberdeen, Cent. Highlands Moray Firth

Cloudy mainly dry. Wind variable, light. Max. 11C (52F).

S.W. and N.W. Scotland, Glasgow, Argyll, N. Ireland

Dry sunny intervals. Wind variable light. Max. 12C (54F).

Outlook: Cloudy showers.

Lighting-up: London 20.45, Manchester 20.59, Glasgow 21.15, Belfast 21.18.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Alexandria	S	25	77	Madrid	S	11	52
Amsterdam	S	13	55	Manchstr	C	9	48
Athens	S	21	70	Melbourne	S	20	68
Barcelona	C	14	57	Mexico C.	S	20	68
Beirut	F	22	72	Milan	F	11	52
Belfast	F	12	54	Montreal	C	5	41
Belgrade	S	20	68	Moscow	S	21	70
Berlin	C	11	52	Munich	R	5	41
Birminghm	C	7	45	Newcastle	C	7	45
Bristol	C	8	46	New York	R	10	50
Brussels	C	11	52	Oslo	S	9	48
Budapest	C	16	61	Paris	C	10	50
B. Aires	S	20	68	Perth	C	23	73
Cairo	C	31	88	Prague	C	5	41
Cardiff	C	9	48	Reykjavik	C	7	45
Cologne	C	11	52	Rio de J'o	S	28	82
Copenhagn	F	11	52	Rome	C	14	57
Dublin	C	8	46	Singapore	S	31	88
Edinburgh	S	10	50	Stockholm	S	7	45
Frankfurt	C	7	43	Strasbourg	R	5	41
Geneva	C	6	43	Sydney	S	22	72
Glasgow	S	13	55	Tehran	S	17	63
Helsinki	Sl	5	41	Tel Aviv	F	22	72
Hong Kong	S	25	77	Tokyo	C	16	61
Jo'burg	S	29	84	Toronto	Sn	1	34
Lisbon	S	17	63	Vienna	R	12	54
London	F	13	54	Warsaw	C	12	54
Luxembrg	C	5	41	Zurich	C	3	37

HOLIDAY RESORTS

Ajaccio	C	9	48	Jersey	S	11	52
Algiers	F	15	59	Pas Palms	F	21	70
Biarritz	R	9	48	Locarno	F	11	52
Blackpool	F	12	54	Luxor	S	38	100
Bordeaux	C	10	50	Majorca	F	16	61
Boulogne	F	8	46	Malaga	S	18	64
Casablanca	S	17	63	Malta	S	17	63
Cape Tn.	S	21	70	Nairobi	S	23	73
Corfu	S	20	68	Naples	S	10	50
Dubrovnik	F	17	63	Nice	F	11	52
Faro	F	19	66	Nicosia	F	22	72
Florence	R	11	52	Oporto	S	14	57
Funchal	C	18	64	Rhodes	C	20	68
Gibraltar	F	17	63	Salzburg	C	8	46
Guernsey	C	8	46	Tangier	F	17	63
Innsbruck	R	8	46	Tenerife	F	17	63
Inverness	C	9	48	Tunis	C	11	52
I. of Man	S	11	52	Valencia	S	16	61
Istanbul	R	17	63	Venice	S	13	55

S—Sunny. F—Fair. C—Cloudy. R—Rain. Sl—Sleet. Sn—Snow.

هكذا اصل الأصل